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PROCEEDINGS
OF THE
GOVERNORS'
CONFERENCE

Twenty-Seventh
Annual Session



HELD AT
BILOXI, MISSISSIPPI
JUNE 13-14-15, 1935

Printed in the United States of America by
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ORGANIZATION

EXECUTIVE COMMITTEE

Governor Paul V. McNutt, Chairman, Indiana

Governor Henry Horner, Illinois

Governor Alf M. Landon, Kansas

Governor Dave Sholtz, Florida

Governor Harry W. Nice, Maryland

TREASURER

Former Governor Stanley C. Wilson, Chelsea, Vermont

SECRETARY

Former Governor Cary A. Hardee, Washington, D. C.

GOVERNORS' CONFERENCE

ARTICLES OF ORGANIZATION

ARTICLE I

The style of this organization shall be the "Governors' Conference."

ARTICLE II

Active membership in the Governors' Conference shall be restricted to the Governors of the several States and Territories of the United States, the term "Governors" to include Governors-Elect. Ex-Governors shall be received as honorary members and, as such, shall be entitled to all the rights and privileges of active membership except the right of voting.

ARTICLE III

The functions of the Governors' Conference shall be to meet yearly for an exchange of views and experiences on subjects of general importance to the people of the several States, the promotion of greater uniformity in State legislation and the attainment of greater efficiency in State Administration.

ARTICLE IV

The Conference shall meet annually at a time and place selected by the members of the Executive Committee.

ARTICLE V

The Conference shall have no permanent President. A Governor shall be selected by the Executive Committee at the close of each half day's session to preside at the succeeding meeting.

ARTICLE VI

There shall be no permanent rules for the Government of the Conference in discussion or debate, but the procedure at any session shall be subject to the pleasure of the Governors present.

ARTICLE VII

The proceedings of the Conference shall be fully reported and published.

ARTICLE VIII

The affairs of the Conference shall be managed by an Executive Committee composed of five members to be chosen by the Con-

ference at the regular annual meeting. They shall hold office until the close of the succeeding regular annual meeting and until their successors are chosen. Vacancies in the Executive Committee may be filled by the remaining members thereof.

A Secretary and a Treasurer shall be elected by the Conference at each annual meeting.

ARTICLE IX

The Secretary shall attend all meetings of the Conference, keep a correct record thereof, safely keep an account for all documents, papers and other property of the Conference which shall come into his hands, and shall perform all other duties usually appertaining to his office or which may be required by the Executive Committee. He shall be paid an annual salary of not to exceed twenty five hundred dollars and shall be reimbursed his actual and necessary expenses incurred while traveling on the business of the Conference.

The Secretary shall annually prepare and submit to the Conference a budget of the expenses for the ensuing year. He shall make all necessary arrangements for a program for the regular annual meeting and shall edit the stenographic reports of the proceedings at all meetings. He shall, also, so far as possible, cooperate and keep in touch with organizations, societies and other agencies designed to promote uniformity of Legislation.

ARTICLE X

The Treasurer shall have the custody of the funds of the Conference, subject to the rules of the Executive Committee. He shall deposit funds of the Conference in its name, shall annually report all receipts, disbursements and balances on hand and shall furnish a bond with sufficient sureties conditioned for the faithful performance of his duties.

ARTICLE XI

Persons not members of the Conference shall not be heard until the regular order of business for the day has been concluded, and then only by unanimous consent. All programs for social entertainment must be approved in advance by the Executive Committee.

ARTICLE XII

These articles or any of them may be altered, amended, added to or repealed at any time by a majority vote of all Governors present and voting at any regular annual meeting of the Conference.

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REPORT OF PROCEEDINGS

Twenty-Seventh Annual Conference of Governors'

Biloxi, Mississippi

Morning Session, June 13, 1935.

Governor Paul V. McNutt, of Indiana, Presiding.

GOVERNOR McNUTT: The Twenty-seventh Annual Governors' Conference will please be in order. Invocation by Dr. B. L. Parkinson, President of the Mississippi State College for Women.

DR. B. L. PARKINSON: Our Father in Heaven, we thank Thee for this occasion. We thank Thee for the men who constitute the leadership of this Conference. And now, as they gather together, we would ask that Thou would give them guidance in their deliberations, to the end that justice, and righteousness, and truth, and goodness may prevail throughout our land. May their lives, and their health, and their strength be precious in Thy sight; and may the things that they do here today be in accord with Thy will. Guide and direct them in all that they undertake, and consecrate them to Thy service. We pray all this in Christ's name. Amen.

MR. GEORGE B. POWER: Governor McNutt, noticing that you have no gavel, I want to present to you for use in presiding over this Conference a gavel made from a cedar tree at Beauvoir, the home of Jefferson Davis. On Saturday the Governors are to visit Beauvoir, at which time each of you Governors will be presented with a similar gavel. (Applause).

GOVERNOR McNUTT: Thank you very much, Mr. Power. I trust that this is only symbolic; that it will not be necessary to use it at any time during the convention; nevertheless, we appreciate the sentiment which is behind it.

In this delightful spot, we are deeply indebted to our Host Governor, the Honorable Sennett Conner, Governor of Mississippi. (Applause).

GOVERNOR CONNER: Governor McNutt, and Gentlemen of the Conference: We count it a very happy privilege to welcome you to the heart of the "Old South". These have always been friendly shores. Friendliness has been the atmosphere of this land of sunshine and flowers and balmy south sea breezes. By the way, we hope to do better on the weather a little later.

The first seat of the white man's civilization, and what is now the commonwealth of Mississippi, was planted in 1699 across the bay over here by a Frenchman named of Iberville. When he arrived he found the Biloxians a very friendly tribe of Indians, and at no time was there warfare between the Europeans and these Indians. The same spirit exists in Biloxi and in Mississippi today. We hope that the hospitality of the South has not been allowed in these modern times to become a mere tradition; and we hope that on this occasion we may prove to you that we live up to the traditions of our fathers. Two million Mississippians extend to you a hearty greeting, with expressions of delight that you have gathered here, and all of our territory, composed of more than forty-six thousand square miles, is yours as long as you will stay with us.

We hope that it may be possible for all of you, or at least some of you, to visit other sections of our state while you are here, and we have made arrangements for you to do that, if you are gracious enough to stay with us.

We would like for you to go over to Natchez, where we believe will be found the best evidences of the anti-bellum civilization of the South.

We would like for you to go to Vicksburg and visit the great Military Park, where more than seventeen thousand Federal soldiers sleep.

We would like for you to see our beautiful Capital City, and travel in the different sections of Mississippi. You know, we boast that we have the most fertile land in the world in Mississippi, in the Yazoo-Mississippi delta.

We would like for you to go into the northeastern part of our State, in what we call the great "Black Belt," where we might show you that we are making progress in dairying and in agriculture, as well as along industrial lines.

At any rate, we want you to stay as long as you will. We have made arrangements to take care of you as best we can, however long you may stay.

I am especially gratified on this occasion to welcome to Mississippi a gentleman with whom I have been working for some years in the Governors' Conferences, my friend Governor McNutt, of Indiana. We have met several times before. And Governor Horner, of Illinois, is on his way from Gulfport at this hour. I see over here Governor Wilson, of Vermont, with whom I have served on the Executive Committee of this Conference for some time—former Governor Wilson of Vermont, one of the few remaining Republicans in this country at this time. And former Governor Hardee, of Florida, who has been serving for many years as Secretary of the Conference. And Governor Park, of Missouri.

We are especially glad that the Governors from our neighboring states can all be here on this occasion. In fact, I threatened them that if they did not come I was going to mobilize the Mississippi National Guard and invade their domain. I don't know what effect that had, but I see them all here today, Governor Graves, of Alabama; Governor Dave Sholtz, my good friend from Florida; and Governor Allen, of Louisiana; and Governor Futrell, of Arkansas; and Governor McAlister, of Tennessee. When we get a little farther away from home, Governor Johnston, of South Carolina; and Governor Ehringhaus, of North Carolina. I don't know just what conversation they can have down here in dry Mississippi, but they can probably find something to talk about while they are down here. And we are expecting Governor Allred, of Texas, this afternoon, and Governor Talmadge, of Georgia.

We are also glad to have Governor Nice, of Maryland; and Governor Peery, of Virginia. I greatly miss my association with your predecessor, Governor Pollard.

When we go a little farther away from home, we find some of the gentlemen of this Conference have honored us by traveling quite a long distance to come to Mississippi. We are especially pleased that they are here. Governor Fitzgerald, of Michigan, is coming in this morning, and also Governor Blood, of Utah. Governor Cooney, of Montana, drove up yesterday afternoon and startled us all by boasting that he had made the trip in seven days. Governor Cochran, of Nebraska; and Lieutenant-Governor Ross, representing Governor Kirman, of Nevada; Lieutenant-Governor Berry, of Oklahoma, representing Governor Marland; Speaker Bettinger, of the Ohio House of Representatives—I know how to sympathize with him, for I served as Speaker of the Mississippi House of Representatives for eight years—representing Governor Davey.

We are glad to have all of you gentlemen here, and we hope this occasion will be one of pleasure for you, as it is for us, and also of profit.

Speaking from four years of experience as a Governor, during all of which time I have been officially connected with the Governors' Conference, I want to say to you gentlemen that I am convinced there is a real opportunity for service for the Governors' Conference. I think that it should be an active, aggressive, well organized, well supported, permanent institution. I hear a great deal about co-operation and team-work at this time. It seems to me that the greatest need in our country is for a better understanding between the individual states, and a closer co-ordination, or better co-ordination of the activities of our National Government with the activities of our State Government; and the Conference of Governors offers an opportunity to exercise a power that is recognized in the states, certainly not taken away from the states by the Constitution, and has not been taken away by judicial construction or interpretation since the Constitution was written, the right of the states to make treaties among themselves, and compacts, so that they might act in accord in the administration of those affairs that are essentially affairs of local self-government.

I think that you Governors who are just coming in, this being your first year, looking forward to four years of service, most of you have a wonderful opportunity. Take a great interest in this Conference of Governors.

I subscribe to the Jeffersonian principle, that the least governed people are the best governed people. Likewise, I believe that the closer you can bring the government to the people, the better government you will have. In other words, I am a "State Rights Democrat." And I hear from the Republicans in these days about as much of "State Rights" as we hear from the Democrats; no longer any clear issue between the two great parties. We need co-operative effort on the part of the States; if local self-government is to be preserved and our problems are to be met without the centralization of authority in Washington, it must come about through a closer relationship of the States and the Chief Executives of these States, particularly in the matter of labor and industrial problems, tax matters, and the apprehension of criminals, the extradition of persons charged with crime; and other matters that are essentially problems of local self-government can be solved only by a better understanding between the States, and I believe that can be effected by the Governors in this Conference.

I want to say again, we are delighted to have you; we are honored by your presence; and it will be a joy for us to extend to you any courtesy that we are able to extend to you; and we hope that you will call upon us freely, that we may assist the deliberations of your Conference, to the end that they may be both pleasant and profitable. I thank you. (Applause).

GOVERNOR McNUTT: Thank you Governor Conner. The characteristically generous spirit of hospitality was noticeable the moment we entered the State of Mississippi. The response to this address of welcome will be given by the Honorable George C. Peery, Governor of the commonwealth of Virginia. Governor Peery. (Applause).

GOVERNOR PEERY: Governor McNutt, Governor Conner, Fellow Governors, Ladies and Gentlemen: Some of us who have never enjoyed the pleasures of a visit to this interesting and romantic city, were not over-enthused at the announcement of our Executive Committee of the time and place for holding this year's convention. We had heard many nice things about Biloxi as a winter resort, and had pictured beautiful visions of a trip here when the chill winds of autumn began to blow up our way, but we could not quite understand why we should come to the deep South in the deep summer time. But following the announcement came gracious letters from Governor Conner, sparkling with the spirit of genuine southern hospitality. We were re-assured. We decided to come. And before receiving the generous words of welcome from Governor Conner this morning, we knew already that we were welcome. We knew it from the moment we arrived here. We knew it from the gracious way in which your committees and officials received us. We felt it in every presence. Southern gentlemen and charming ladies, by their fine acts of courtesy, had already assured us of a warm welcome, and we are deeply grateful to all.

And now we are glad that we have come to Mississippi. It is a great and historic state. No doubt it was an inviting land when DeSoto first visited it in 1540. Surely, LaSalle, the French explorer, must have looked upon it as a goodly land when he took possession of all the territory at the mouth of the Mississippi in the name of Louis XIV.

Interesting history has attended the various changes in sovereignty that have taken place, since that time, and we are glad that this favored section at last found itself to be a permanent part of our Republic. It has given to the world many great men. Among them were the Presi-

dent of the Confederacy, greatly beloved by the entire South; and Sargeant S. Prentiss, one of the greatest of American orators; and many gallant soldiers, eminent jurists, and distinguished statesmen.

The State has also been the scene of many memorable contests. Here it was that one of the most historic fights over the doctrine of States' Rights took place between Jefferson Davis and Henry S. Foote, with alternating success to each contestant. But Davis, I believe, finally won in the struggle.

We are glad to come to this beautiful and interesting city. I understand it was here at New Biloxi, in 1712, that the first permanent settlement in this Gulf section was established. It has witnessed a wonderful growth since that historic beginning. We are told that however hot may be the atmosphere through which we come, cool and delightful breezes await us here; that the roses which we see on every hand are in perennial bloom; and life here is always delightful and interesting. Against each and all of these pleasant assurances we now have no protest to offer. We are fully persuaded, and we are sure that at the end of the Conference our stay will prove all too short for each and every one of us.

I am but a recent initiate into this happy company of Governors. This is the first Conference I have ever been privileged to attend. Therefore, I cannot speak with authority in regard to former conferences. However, I do venture to predict that the present Conference will prove to be an important one to us officially. It should be important because of our economic situation, and the problems, both state and national, that confront us.

Not all of our problems are new. Many of them, like the poor, continue with us always. The matter of collecting sufficient taxes in the least hurtful way to meet state expenses will doubtless appear in some form on the agenda of every Governors' Conference for all the years to come. The relations between capital and labor will also generally find a place. Some of the states during the past years have had serious labor troubles. The problem of effective liquor control is a pressing one in most of the states. Although there has been a substantial improvement in the economic and financial conditions, the depression, with all of its elusive and baffling problems, has not lifted entirely. The problems of relief and unemployment are probably the major ones now before us. The last two years have witnessed resort to heroic and unusual measures. Some of them were whole-

some and effective; others have provoked sharp controversy.

The passing of the National Recovery Act, by virtue of the recent decision of the United States Supreme Court, brings to this Conference new questions of great significance and momentous import. A brief, though stormy and heroic existence, has brought some good. It is significant that some who whole-heartedly berated all of its provisions, now seek to salvage some of its admittedly good aspects. Perhaps, the value of some of its virtues was lost sight of in the serious practical difficulties that attended its enforcement. But the court of last resort has spoken in an unanimous opinion. We live in a nation under a constitution and in states that likewise have constitutions, which we are sworn to uphold. So long as we have a Federal Constitution, the path of duty is clear. We must uphold and live within the Constitution.

Whether or not it should be amended, is another question that may arise for our consideration. If so, the amendment suggested by some would be more far-reaching and momentous than any that has yet been adopted. Should not this of itself give us pause, and lead us to no hasty action?

There are times, even in great crises, when it may be well to let the people themselves endeavor to work out their problems. Governments cannot correct every abuse by merely enacting laws.

The present crisis, with the spectre of unemployment still hovering over us, is a challenge to the business and industry of this intelligent age. It is known to industry in all of its grim details. To meet and solve it, presents a high adventure. It is in truth a rendezvous with destiny.

As Governors of our respective states, in whose welfare we are so vitally interested, we will give earnest heed to every sound and practical suggestion for co-operation and help.

And in considering proposals we will do so, not as partisans seeking some special advantage, but as citizens and children of a common Republic.

We do not come here to vie with each other in the good things that we may respectively possess; rather do we come to take counsel of each other in the solution of the problems that are, in a measure at least, common to us all.

We are very sure that Mississippi air, sunshine, and hospitality will make us happy during the three days that are before us. (Applause).

GOVERNOR McNUTT: Thank you, Governor Peery. Is Mayor O'Keefe, of Biloxi, here. Mr. Bowes is President of the Chamber of Commerce. Those gentlemen were expecting to be here to extend the greetings of this community. We shall have the pleasure of hearing from them later.

The matter of transportation has been one of vital importance to all of the States. Happily, the building of good roads has been an important part of any sound work relief program. I have the pleasure this morning of presenting to the Conference the Honorable Henry H. Blood, Governor of Utah, who will speak on the subject of "Road Appropriations and Work Relief." Governor Blood. (Applause).

GOVERNOR BLOOD: Mr. Chairman, Ladies and Gentlemen: To be transported in a very brief space of time from the semi-arid Rocky Mountain region and to be set down here on the shores of the Gulf of Mexico, almost in it—at least over it—with a humid atmosphere and with a panorama of nature at her best, is an experience that I enjoy immensely.

I convey to you, if I may, unless you have other message from him, the greetings of my distinguished predecessor, and at one time President of this Association, the Honorable George H. Dern, Secretary of War, who, I am sure, would be glad to have me express to you that his thoughts are with this Conference today.

I remember with a great deal of pleasure the visit of this Conference membership to Utah a number of years ago, but the personnel has so changed that I apprehend not so very many that are before me today were present on that occasion.

I am enthusiastically in favor of good roads, better roads, and of more roads. Likewise, I have keen interest in all that promotes human welfare, happiness, contentment, and uplift.

So, when the Program Committee of this Conference assigned me a subject that linked roads with public welfare, I withheld my first inclination to beg off, and consented to speak briefly.

I shall ask your indulgence to permit reference to the worth of roads as such, their value historically, and the

essential part they have played in promoting human happiness and progress. This is prompted because there are those who are reported to hold the opinion that we have gone far enough in the direction of road construction, and that greater attention should be given in future expenditure of public funds to various other activities. All of those newer activities undoubtedly will be excellent and worthy, but, to my mind, not necessarily such as should end or too seriously curtail highway building by states and nation.

This paper will, therefore, divide itself into two sections, the value of roads, and road building as a public welfare activity.

There is no single activity, perhaps, which the nation had initiated, during the past five years, as a palliative for distressed conditions that has more vitally and more generally affected the welfare of the public than has road work. There is probably no other major activity with greater employment-giving capacity, both as to quantity and variety; and there is no other one enterprise which so completely enters into our everyday life as does the use of good roads.

Broadly speaking, road work is synonymous with highway transportation, because through road building better facilities for transportation are provided. Roads are symbols by which the present status of a community is measured. If people have no roads they are savages; if their roads are poor and little used, it is a sign that their civilization is at least stagnant. For, if there is any motion in society, the road, which is the symbol of motion, will indicate that fact. Without roads, commerce would be impossible, and large cities could not exist; communities would be isolated, and free interchange of ideas would be slowed down, or they would cease. The history of transportation and development of highway systems is in reality the history of the progress of the human race. The extent to which people come into contact with each other determines, to a large extent, the degree of their advancement.

An individual may be considered prosperous when he is in possession of the necessities of life and some of its luxuries. In other words, when he can have without inconvenience that which contributes to his happiness and well-being, he may be considered to be faring well. What is true of individuals is true of groups, and also of the complex organization of these groups, which we call society. Anything which contributes to the ready provision of that which promotes the happiness and pros-

perity of people generally, must be considered a contribution to public welfare. Does road work measure up to the requirements? May it be called truly a welfare agency? The farsighted Calhoun answered these questions when he said, now many years ago: "A judicious system of roads constructed for the convenience of commerce, and the transportation of the mail, would, by consolidating our Union and increasing our wealth and fiscal capacity, add greatly to our resources." He was right. Road building has been fully justified. Its development has greatly influenced the happiness and comfort of the people.

But this development has presented a new problem for solution. The motor vehicle came with and compelled the construction of good roads. This new contrivance could propel itself over the country at a rate of speed unheard of, and public welfare demanded that the old dirt road must be provided with a surface that would not become slippery and dangerous when wet. It soon developed that power enough could be built into the motor and the machine could be built strong enough to handle great loads. That meant heavier bridges; and it meant paved surfaces that would not disintegrate from the continuous pounding of these heavy fast loads. And so the story goes, through the most amazing series of development the world has ever known. The motorist and the road builder constantly have been engaged in the greatest marathon of all time, a race between the builders and the users of the roads. Better roads resulted in greater use and more demand, and the circle commenced. This is a race in which the road builder, by the very nature of the contest, must always be the loser.

Great factories have been created to meet the demands of the motor age. Industries of immense proportion have grown up, and public and private expenditure, the like of which has never been known, is directly traceable to this development.

Amounts of money have been put into roads alone and investments dependent upon them that challenge the imagination. A recent periodical carries the following:

"Twenty-five billion dollars is our capital investment in automobiles, garages, filling stations, automotive factories and roads and streets. Each year we spend around \$9,000,000,000 that makes jobs for those who keep this business going and are engaged in extending it. One-seventh of all the gainfully employed people in the United States earn a livelihood for themselves and mil-

lions of dependents by supplying us with roads, autos and the necessary complements.

"Everything you buy rides over the highway from three to twelve times. Rural mail carriers in our own country, travel over 1,350,000 miles of roads daily. Automobile tourists spend \$3,000,000,000 a year; buses annually carry, 2,000,000,000 passengers, which is equal to one bus ride for everybody on earth." All this gives only a glimpse of our dependence on the highway. As we think these figures over, the annual bill seems high; but the benefits are worth the costs. People are better, happier and more intelligent because of the outlay. We have triumphed over space and time and physical handicaps through this marvelously planned and wonderfully executed highway construction program. I have mentioned that there is an occasional objection that we are over-built, when it comes to roads; that too much money is being expended in road-making. I do not share this view. Even with the great advance that has been made in road improvement during recent years, a survey recently made by the National Education Department found that the query, "What is your greatest transportation difficulty?" brought answers from more than thirty-three per cent of the total saying that the greatest need was better roads. Public good demands removal of this handicap from educational progress.

Highways are not over-built today. Indeed, we are woefully under-built. As a nation, we are losing annually billions of dollars in traffic congestion, delay and accidents because we have not been able to build roads fast enough to keep pace with the demands of transportation. It is impossible to evaluate some of these losses, but we can come close enough to the answer to know beyond the peradventure of a doubt that it has been a sound economic procedure to accelerate our highway program; it is impossible to arrive at any other conclusion. And, inasmuch, as this movement for more and better roads has coincided with the demand for work programs of real economic value, there has been a double gain, and, I hope, no loss, in the venture.

Road Building and Public Welfare.

The economic collapse out of which we are now emerging, permeated deeper, scarred human relations worse, and had greater deleterious effects on human beings than anything that has happened in our history, not excepting the great World War. Those who were in charge of our destiny when the collapse settled over the country like a

black plague, were justifiably confused. The plague struck from so many different angles that it was difficult immediately to analyze the problem with intelligence. Many had apparently lost the power to think right. For the first time in recent history, the most powerful and most independent people on earth were stricken and helpless. Millions of them theretofore considered self-sustaining, with standards of living far above any to be found elsewhere in the world, were hungry and cold. Well established enterprises were crashing in all parts of the country and closing their doors. Only one thought seemed to stand out plainly; it was in the minds of the officials and of the public; there must be some palliative; there must be brought into use some "economic oxygen tent"; people must be put to work. The nation's leaders determined that the construction of roads met many of the requirements. Large sums of money were provided, and the nation started upon a policy of constructing streets and highways to absorb part of the unemployment resulting from the closing down of normal industry. This met with exceptional success. While unemployment increased at a rate that made it impossible for any sound program of public works to keep pace with it, still, there is no denying the fact that if road work had not gone forward the situation at that time and probably today would have been far more acute.

I remember clearly having the privilege late in 1930 of consulting President Hoover, as was my duty as President at this time of the American Association of State Highway Officials, about a proposition that would relieve unemployment by the use of \$80,000,000 before September 1, 1931, then only eight months or a little more away. That seemed a stupendous sum then, probably seemed too great to hand to the Highway Departments of the States for spending in so short a time, but it was granted, and our assurance that it would be used economically and within the time limit was verified. There followed other appropriations, of \$120,000,000, which likewise was well used. Next came a change of administration in 1933, and within about three months President Roosevelt had approved the greatest single appropriation hitherto made for roads, when \$400,000,000 was allotted to Federal Aid Highways. Again the highway departments of the states, under the direction of the Bureau of Public Roads, operating under new regulations, providing better conditions for labor, carried forward a construction program that proved the ability and willingness of the departments to serve the country in an emergency.

There are several very important reasons why road work was so admirably adapted to meeting the needs created by the depression.

First: Funds were put to work quickly. Every state had an efficiently-manned highway organization which sprang into action, and in some cases are said to have finished whole highway programs before the preliminaries incident to some other forms of public works projects had been worked out.

Second: As indicated before, the construction of roads and streets has afforded variety of employment that could not be duplicated in any other form of public works projects, work which helped unemployed men in all parts of the country. Even in larger centers, the quickened pulse of industry was felt. Recent statistics indicate that practically half of all cement and mineral aggregates used in the country are being used in road work. Industries engaged in the manufacture of heavy equipment have been kept alive very largely because of the demands for the types of equipment used in building roads. The repairs, replacements and renewals of this equipment have produced a very large percentage of the total equipment business.

Third: The money invested in this work has aided unemployed, added to the capital wealth of the nation, and still has not produced a surplus. The commodity which has been produced is not one which may be sold; and this fact made it possible to make the vast expenditures with confidence, knowing that if properly administered, the tremendous project is a self-liquidating one that has not entered detrimentally into competition with other branches of industry, and has not and will not produce a surplus to drug the market and force values downward.

Road Program for 1935.

Because of its immediate importance and timeliness, I have reserved for the concluding paragraphs in this paper the new \$400,000,000 allotment of funds for roads, which was announced under authority of the Secretary of Agriculture early last week.

Every state will have received its notification before this time and, therefore, I need not give your quota. It is sufficient to consider in outline the conditions and terms under which this special emergency fund can be used.

First, let me impress upon your minds that Public Resolution Number 11, under which the Congress made appropriations of \$4,880,000,000, expressly declares its purpose to be "To provide relief, work relief and to increase employment by providing for useful projects." That is fundamental. The words are understood to mean that the whole appropriation, if deemed necessary, could be used for carrying on the relief work done under the Federal Relief Act of 1933. The point to remember is that relief comes first, and other projects will have second place.

In addition to notices of allotment, the Bureau of Public Roads has issued a bulletin to highway departments very carefully and judiciously analyzing the newly created conditions imposed on states.

It is clearly desirable to secure unanimous support by state departments of the plans and purposes of the President to put back to work as many as possible of the unemployed. Roads have been accorded very generous treatment in the set-up for funds. A simple mathematical calculation will show that if 3,500,000 men are to have employment provided from a fund of \$4,000,000,000, the average total cost of projects on which they work must not exceed \$1142 per man employed. In the allotment for highways, the average per man is \$1400. This will not, of course, permit construction of high-cost hard surfaced roads, and it will, therefore, be necessary, if no changes are made by modified regulations, that first-stage work, or grading and graveling only, be done by use of the new Federal funds, leaving the hard surfacing to be accomplished by regular Federal Aid funds and state funds. This applies to the \$200,000,000 allotted to road construction.

The other half of the total allotment, amounting to another \$200,000,000, presents another, and even more difficult, problem. This \$200,000,000 is to be used for grade crossing elimination and protection. It is being given careful consideration, but no definite conclusions have been announced as to the manner of using these funds.

Indeed, all state departments must await receipt of regulations which it is hoped will soon be issued, and before it will be possible to shape policies and begin work.

Permit me to say, by way of conclusion, and with reference to welfare road work, that there is little to be feared from a man who daily goes from his home to work, provided the home is supplied with enough to sup-

port his family as a result of his own efforts. But there is menace in extreme and continuous hopeless poverty. It would be a calloused heart indeed that could consider without deepest sympathy and concern the present deplorable condition of unemployment. Labor must be employed. The problem is ours, and to its solution all of us should be willing to dedicate our best thought. True Americans are courageous and patriotic. But they want social justice, and must have it. Resentment comes if it is denied or too long delayed, or grudgingly given.

I am sure all our hearts have been warmed by the efforts of President Roosevelt to "put men back to work," and by his determination to have money provided primarily for that commendable purpose, even in the face of opposition. My judgment is that we should encourage state highway departments to co-operate to the limit, and all other departments, in public welfare activities where joint action is necessary.

If I have a concluding message for this Conference on the question of work relief to be provided through road construction, it is that the states should proceed in good faith to make the best use of the funds provided, with full confidence that the Federal Administration is working toward accomplishing the purposes designated by the Relief Act of 1935. I thank you. (Applause).

GOVERNOR McNUTT: The paper of Governor Blood is now open for discussion. Are there any questions? I shall be very glad to open the discussion by asking a question, Governor Blood, prefacing that question first with a statement. The conditions are not the same in all of the states. During this period of stress, recognizing the need of providing work for the employable unemployed, certain of the state highway commissions have allotted most generously parts of the funds appropriated by the general assembly in order to provide such work as the widening of rights of way, or grading the secondary roads, and the like. That work, Governor, has been done, and under these regulations which you have mentioned, if they were followed out, while employment might be given, it would be in the making of grades which the fall rains would wash away, and by the doing of other like work.

My feeling is that the regulations should be made in accordance with the present needs of the states, trusting, as you state, to the good judgment of our highway commissions to make proper expenditure of the moneys. In other words, if the department will look at what has been, what is being done, and what is planned for the

future, and will permit the use of these funds to carry out this general plan, which has behind it, among other things, the employment of the maximum number of unemployed, we shall have a better program, not only for roads, but likewise for relief. And I may say that today the members of my State Highway Department and my Chief Highway Engineer are on their way to Washington to present the case. I hope the visit is not futile. The same thing applies, I imagine, to Governor Horner, of Illinois, and Governor Davey, of Ohio. We have built our roads. The situation is not the same in our state as in many of the other states. For example, I suppose, Governor Conner, in Mississippi that money could be expended advantageously and still accomplish its purpose as laid down in these regulations. That is not true in our state. Therefore, I am going to urge with all of the force that I have that the regulations be changed; and if there are other executives in this meeting who feel the same way about it, I hope they will express those feelings. Is there any answer, Governor, to the very serious problem which confronts us?

I have this feeling about relief, that it is possible to find worthwhile projects, of lasting benefit to our communities, that will at the same time absorb the maximum number of unemployed employables. Did you mean to say by the concluding paragraphs of your paper—I will put the question in this form: That there can be no change in the present regulations having to do with the expenditure of the allotted funds?

GOVERNOR BLOOD: The regulations are not yet issued.

GOVERNOR McNUTT: Well, there is one set that we have had. The regulations as to the grade crossings have not yet been issued; but we have had regulations as to other activities by the highway departments. They came about ten days ago.

Are there other like experiences in connection with this matter, which is vital and immediate?

GOVERNOR PEERY: Governor McNutt, speaking for my own state, I would say that the highway commissioner called me just before I left for this Conference, and he expressed the belief that there would have to be some changes in the regulations that have been issued, in order to fully meet the situation in our state. He had gotten some regulations from Washington—I don't know whether they were final or whether they were complete; he had checked up on them, and expressed to me the belief that it would be necessary to have some changes

in those regulations; and I understood from him that plans were being made to hold a conference of the highway commissioners of the states in Washington on Monday of next week.

GOVERNOR McNUTT: Well, I hope that is so. Any other comments upon the general subject-matter? Any question any member of the Conference desires to ask Governor Blood?

GOVERNOR COONEY: I would suggest that any money not needed in Indiana be transferred to Montana, Utah and Nebraska.

GOVERNOR McNUTT: We have a lot of unemployed who must be taken care of; the question is, on what projects? Has Mr. Aubrey Williams come into the room? Is Governor Fitzgerald, of Michigan, here?

GOVERNOR HARDEE: He has not arrived yet.

MR. GEORGE B. POWER: We met the train from Washington. Mr. Williams was not on it.

GOVERNOR McNUTT: Is the Treasurer of the Conference ready to give his report. Governor Wilson.

GOVERNOR WILSON: I haven't my report with me. I can have it after the rain is over. If you will furnish an umbrella, I will get it now.

GOVERNOR McNUTT: There is one bit of business which may be taken care of now. Do I hear a motion from the Conference that an auditing committee be selected to receive and consider the report of the Treasurer of the Conference?

GOVERNOR PARK: So moved.

GOVERNOR McNUTT: Is there a second?

GOVERNOR GRAVES: I second the motion.

GOVERNOR McNUTT: All those in favor of the motion make it known by saying AYE; opposed NO. The AYES have it.

The Auditing Committee will consist of Governor Frank H. Cooney, Chairman; Governor Futrell, of Arkansas; Governor Cochran, of Nebraska; Governor Allen, of Louisiana.

One other committee of the Conference, for which I would like to have the authority to appoint, is the Committee on Resolutions. Do I hear a motion?

GOVERNOR CONNER: I make the motion.

GOVERNOR McNUTT: Governor Conner moves the Committee on Resolutions be appointed. Is there a second?

GOVERNOR EHRINGHAUS: I second the motion.

GOVERNOR McNUTT: All in favor of the motion will say AYE; those opposed NO. The AYES have it; the motion is carried.

The members of the Committee will be Governor Hill McAlister, Chairman; Governor Bibb Graves, who wants to work; Governor Fitzgerald, of Michigan; Governor Olin D. Johnston, of South Carolina; Governor James V. Allred, of Texas.

Any other business to come before this session of the Conference? I will recognize Mr. Power for some announcements. Mr. Power.

MR. GEORGE B. POWER: Your attention for just a moment to some announcements with reference to the program other than the business session.

At one o'clock the visiting ladies will be guests at lunch at the Tivoli Hotel.

At eight o'clock this evening in the lounge of the Buena Vista, our Headquarters Hotel, there will be a reception and a get acquainted meeting. Governors and their wives, Lieutenant Governors and their wives, will form the receiving line in the lounge at the Buena Vista Hotel at eight o'clock.

Members of the Staff have been asked to see that the Governors and their wives are in place.

At ten o'clock in this pavilion there will be a dance sponsored by the Coast. Cards for the members of the official parties, and for the Staff members, and their ladies, will be furnished to the Staff members, and through them to the Governors and their official parties. That dance is at ten o'clock.

Tomorrow evening at eight o'clock, the Annual Banquet in the Buena Vista Hotel, cards for which will be issued to the Governors and all members of their official parties, and delivered to you through the members of the Staff assigned to you. Now, we would like, as far as possible, to conform to the scheduled hours.

On Saturday, for those of you who remain, and we trust all of you will remain, there will be an auto drive

to all points of interest on the Coast. There will be one stop, and that will be at Beauvoir, the home of Jefferson Davis. We will wind up the drive in Gulfport, where we will be guests of the Gulfport citizens for lunch. After lunch they are going to take us on a Coast Guard Cutter out to Ship Island. The return from Ship Island will be to Gulfport, and from there back here by auto, which will conclude the formal program of the Conference.

GOVERNOR CONNER: Mr. Chairman:

GOVERNOR McNUTT: Governor Conner.

GOVERNOR CONNER: I understand Mr. Williams has just arrived. I suggest, if you have an adjournment now, that we meet at two o'clock instead of three o'clock. That will give us more time. It is three o'clock on the program. He has just come in.

GOVERNOR McNUTT: If it meets the convenience of Mr. Williams, does it meet the pleasure of the members of the Conference to go right ahead with this program now rather than have two sessions today? While you are determining that the Conference will recess.

(Thereupon a short recess was had).

GOVERNOR McNUTT: Just a moment, please. Mr. Williams has stated that he prefers to follow the program as outlined. I will be glad to hear a motion that the Conference adjourn until two o'clock this afternoon.

GOVERNOR FUTRELL: I move we adjourn until two o'clock.

GOVERNOR McNUTT: Governor Futrell so moves. All in favor of the motion will say AYE; opposed No. The motion is carried. We stand adjourned until two o'clock this afternoon. Please be here promptly.

(Whereupon an adjournment was taken until two o'clock P. M.)

Second Session, Thursday Afternoon, June 13, 1935.**At Two O'Clock P. M.****GOVERNOR McNUTT:** Please come to order.

This afternoon's session will be presided over by the Honorable Dave Sholtz, Governor of Florida. I present, with pleasure, our friend. Dave Sholtz. (Applause).

GOVERNOR SHOLTZ: Gentlemen of the conference, I believe that we will get along a whole lot better the more informal we can make this, and I suggest that those of you who can not hear move your chairs up a little closer. I understand this morning there was some difficulty over here in hearing on this side of the hall.

The duty of the Chairman of this convention, as I understand it, is merely to preside. Former Governor Hardee of my home state says that every governor who presides is supposed to make a speech. I am going to adhere to the letter of the program and merely preside.

This afternoon the first speaker on the program was to have been the Honorable Harry Hopkins, chairman of the F.E.R.A., who, because of the press of business in Washington, was detained. Personally, I am one of those who believe that Harry Hopkins has done a great job. We are all human. There are none of us that are perfect. I do not know whether any one of us could have done a better job if we had had the responsibility thrust upon us. You may not agree with me in that, but I believe when a man does his best to do a good job, we at least ought to show our appreciation. So I am one of those that do not have any hesitancy whatever to say that I believe they have done a great job.

In view of the fact that Mr. Hopkins could not be here, the man next in line, who during his absence from us during last summer particularly did a great piece of work, has come to address us and he is going to address us on the subject that Mr. Hopkins was to address us upon, and that is "Federal Emergency Relief and Allocation of Public Funds."

Gentlemen, it is a pleasure and an honor to present to you the Honorable Aubrey Williams, who will discuss that subject. Mr. Williams. (Applause).

Federal Emergency Relief and Allocation of Public Funds

HONORABLE AUBREY WILLIAMS: Governor Sholtz and Governors, ladies and gentlemen:

I do not think I am going to be called on to make a speech here this afternoon. I do not think that is what you all are interested in particularly. I will tell you what I have in mind saying and then you can tell me if you do not think that is what I ought to talk about and I will switch it around. You know in this relief business there is no end of angles you can talk about, go on for a month, for that matter.

My idea was that this afternoon I would give kind of a resume of some figures, what we have spent and how much the states have done, and what we spent it for, and then I would talk about a few problems that we have in common, that you all are sharing with us, and that you carry to bed with you every night and that you get up the next morning with; and then I would like to talk about this new work program a little bit and tell you just as much as I can about it, as much as I know; and then I want to talk a little about this security program and how that is going to fit into this way we are arranging the federal participation from here on out.

Now that is about what I have in mind doing. I do not know how long you want me to talk—thirty-five or forty minutes, something like that—then we can have questions, I understand, afterwards. I do not know whether I can answer them or not. I brought along the record here so that I could answer any questions and could give you some facts and figures if you are interested in them.

Last year, or, rather, the two years from April 1933, or May 1933, until May 1935—no, until January 1935, beginning January 1935, there has been expended by the federal government for relief purposes twenty-four hundred million dollars. Let me be sure to get that absolutely right. For the year 1934 there were total obligations of fourteen hundred seventy-nine million dollars, all told. The states put in one hundred eighty-six million dollars and localities put in two hundred twenty-three million. In other words, the federal government paid 72.3 per cent of the total relief bill, the states paid 12.6 per cent of the total bill, and local funds accounted for 15.1 per cent of the total bill.

Now that money went to pay for the direct relief and the work relief. I do not include in that the nine hundred eighty odd million dollars that went for civil works. That is beyond and above this figure here. So that the federal government really put in two billion two hundred million dollars and the states put some money in on

C.W.A., I don't remember exactly how much, and the localities did, put in quite a considerable amount.

Now, this relief, from the standpoint of giving it out from the standpoint of our grants, is about like this: We have made an average grant through the year for families as a whole for the entire United States for one month of \$28.05. That is about what it averages, taking the nation as a whole, for a month for a family. For the principal cities of the United States it averages \$35.76. In other words, there is that difference. For the remainder of the state, that is, outside of the big cities, it runs about \$22.60. In other words, taking the nation as a whole, it is about \$28.00; in large cities, about \$35.00, and in the rural and small places, that is, places under 5,000, it is about \$22.60 a month. That is about what the whole thing averages.

There was on relief last year, we began January with about 2,600,000 families, in January of last year, 1934, January, 1934. We had at that time, however, 4,000,000 families that were from Civil Works, so that there was 6,600,000 families on some form of work or relief at that time. As you know, on March 31st we abolished the Civil Works and then the relief rolls began to climb back up as relief. So that at January of this year we had 5,260,000, I believe, families and single people on relief. We had 800,000 single people, unattached people, and 4,400,000 families on relief in the nation as a whole. 55 per cent of those families were in eight large industrial states, comprising New York, New Jersey, Massachusetts, Pennsylvania, Michigan, Ohio, California and Illinois. 55 per cent of all those people were in those states and the other forty states accounted for 45 per cent of all the people. And, interestingly enough, our money went out about in the same proportion. About 52 per cent of all the money spent for relief in the United States goes to eight states. These eight states, of course, are the largest in population, their population accounting for close on to 59 per cent of the population of America.

Now, I had another thought right there that slipped my mind that I wanted to speak of. Maybe it will come back to me on that.

In addition to this, we spent about \$130,000,000.00 for commodities. These commodities were formed of surplus foods of various character, as you know, and we bought all sorts of things and sent them out. I think, frankly, they form an important part of the relief picture.

I would like, if I can, to give you the figures on just exactly what we spent this money for. I have them here somewhere. In transients—we hear a lot of complaint about the money we spent for transients—if I remember correctly we spent about \$51,000,000.00 for transients last year. While I can give it to you, it is pretty much out of my line. We spent about fifty per cent, not quite fifty per cent of it, for work, even last year. We have now 2,400,000 people on work, and it has been almost half of the total people on relief right straight down through the year, so that about half of our money has gone for work. The other has gone into direct relief, cash or grocery orders. We spent 3.8 per cent of the total money for medicine, medical care and hospital care. We spent, as I stated, about \$51,000,000.00 for transients. We have spent forty some odd million for education, including student aids. This year our education bill so far is only going to run around twelve to fourteen million dollars, as over against—I mean the rural extension work, as over against last year it ran to around thirty million, so that it may be said that the schools generally are supporting themselves and not asking relief funds to support them.

Local funds and state funds—state funds have constantly declined and local funds have constantly increased in the last sixteen months, so that at the present time the figures are running around fourteen to fifteen per cent from local funds, and nine to ten per cent as a whole from state funds. Delaware has the honor of paying more than any other state towards its own share of this relief, having paid right straight through forty-seven per cent of the total cost of unemployment relief in its state.

Last year there was a total put in, as near as we could figure out the whole business, of \$430,000,000.00, that is not accounted for all here, but we know that it was put in. This year we are figuring on about \$560,000,000.00 coming in from local governments, and I want to say right here for the record, that it is to the lasting credit and fine willingness on the part of the governors and legislators throughout America that there has been a constant effort on their part to put in what was their share.

Now, I want to make this clear, too, that in spite of the fact that there has been a decrease—and I want you press boys to get this straight—in spite of the fact that there has been a decrease in the percentage of relief which the localities and states have put in, the amount of money that the state has put in, and the amount of money that the localities have put in has actually in-

creased, so that today more money is being put in by states and localities by around \$130,000,000.00 than was put in last year. In other words, the states, after four years of this depression, are putting in \$130,000,000.00 more this year than they did last year. I see some of you here who have gone through veritable hell to get this money, and I take my hat off to you for what you have done in the face of the very greatest difficulties. And those people that come up and say that the states should increase their allotment, they do not know what they are talking about. They are making criticisms without any foundation. The states have increased and the localities have increased everywhere the actual amount of money they have put in this thing.

Now, I am not going to burden you with any more of these facts and figures. We could go on with them almost endlessly, any variety of arrangements that you could talk about. I want to talk a little bit about this relief business.

You are probably just as familiar with every word that the President has said in regards to this relief as I am, and I shall only remind you in bringing this out that he has said that he means that the federal government must and shall get out of this relief business. Now, I believe he meant every word of that. I believe he meant to get out of the relief business. But I also believe that you can not get out of this relief business unless you put something in its place, and I have every reason to assume that everybody in Washington understands that; and I, for one, am in full sympathy with the idea of abolishing relief.

When Governor Conner asked me to come down to Mississippi two years ago and help him set up his relief work down there, one of the first things we determined upon was that we would have no direct relief, that this thing would be a work program, and we set out and set up working arrangements in every county. That was true in several other states. There was an attempt made to keep this thing on a work plane. It was just as apparent then as it is now, and it is just as apparent now as it was then, that no government, in my estimation, can long hope to keep things in control that starts out on a basis of giving people a living. I, for one, do not believe it can be done. There are some reasons why it can not be done.

In the first place, as wonderful and as wealthy and as bountiful a place as our country is in good things, there is a whole vast population of people in America that have

found the struggle of getting a living so desperate, so difficult, they have had such a hard time trying to make a living, things that probably you and I do not really understand, can not fully appreciate, that the lowest standard which you and I are willing to put out, is, in many instances, as difficult as this may seem to you, higher than what they have been able to make in the way of a living. There is a whole lot of talk about our wage scales. We are being condemned because we set a wage scale at a certain figure, and that we are condemned because we pay more than a going concern. My friends, you can not pay the going concern in some places, and yet the lowest budget that you are willing to say the people should have at that wage, they can not earn it. They would have to work eighteen or twenty hours a day, because we found in many communities that they were willing and actually did pay five cents an hour, and they thought people should work at that. In other words, you will run slap-bang up against the problem of a great portion of our people that would immediately come for relief, amongst those that find it very difficult to make as much as two and three dollars a week.

We made a study—and I am a Southerner, I know how wonderful the South is in all of its aspects, but there is a whole population of people in the South whose cash income in a year is on an average right around \$150.00 a year. As a matter of fact, we made a study of 400,000 families and found that the average cash income was \$151.00 for those share croppers and those tenants. In other words, what is that? That is \$12.50 a month. Now, if you try to put people on a budget of \$12.50 a month, expect to wipe out pellagra and keep those people in good shape and in decent health, you have got a job to do. In other words, you can not make relief so disrespectful and you can not make it so stigmatic that people won't come in great hordes and take it. Therefore, it is dangerous. You can not fool with it. Then, of course, I think we all basically object to it on other grounds such as industries, and so forth, but waiving all that aside for I am taking it from the standpoint of the government now, I think the President very wisely has said he will have none of it.

I want to add just one other word here, Governors, because each one of you have other ranges of this problem at home, and if you will pardon me I would like to digress just a minute on this. I do not think relief is any answer for anything on any front. I do not think it is an answer for those people that are so-called chronic dependents. If they are chronically dependent there is

something wrong with them, they are sick, they are physically ill, there is something the matter there, and you freeze them in that state and that station when you go to giving them direct relief. Furthermore, I don't think it is the sort of a thing that should be given out to people that are supposed to be called charity cases. If there is anything in the world that seems odious to me it is giving anybody charity. Our welfare departments ought to have arrangements for relieving these people and carrying it on if only for a day on a temporary basis or for a few days or so. There are other ways of doing these things more satisfactorily than that. I will speak of those a little bit later.

Now, the sum total of this is in saying that the federal government will have nothing to do with relief. There is to be something put in its place, and the President has said he has put something. He is going to put people to work. I know a lot of you Governors wonder, and if I were in your shoes I would wonder about "How are you going to do this thing? How are you going to actually stop this relief? Can it be done?" I know you have some grave doubts in that line as to whether it can be done or not. Well, that depends. I want to be just as frank as I know how to be. I think it depends. I think if you set an arbitrary line here and say "We are going to give this many jobs, and no more," that you can not wipe out relief right now. If we say to the Governor of Arkansas that "we will give you 31,000 jobs." You say to me, "Well, Mr. Williams, I can not make out on that. I have got 56,000 families on relief." You are right. You can not. But suppose we give you a sum of money and we lay down certain general conditions for the expenditure of that money. In other words, if you let the thing be elastic with regards to the number of jobs you give, then all we have done is we have transferred the thing from relief to jobs; and then it becomes a question of money, how much money you can get to do it with. So that, very frankly, I am very hopeful that it can be done.

All through New England we never do any direct relief. You governors there—Governor Wilson, in his territory we do not have direct relief up there at all. Never have given a dollar of relief in Boston, New Hampshire, Vermont, any of those states. I take it back. I think we gave New Hampshire \$50,000.00 the other day to pay some back debts or something. We do help the boys out some times. We do not need to give relief in New York, Pennsylvania, Maryland, New Jersey. We do not need to give direct relief in Illinois. Illinois can take care of

its direct relief if we will do only the same amount we have been doing, with an additional amount for materials, on this job program in Illinois. And I can mention twenty-five other states where that is true.

So the problem really becomes a problem like this, of certain states which, because of financial conditions, are not able to meet this situation. Now, as a matter of fact, that is the crux of this whole federal participation. I see some of my good friend governors here that figure there is no point in this—I do not say they do, but I think some of their states do—no point in this federal relief at all. “Leave us alone. We can handle this thing.” Now, the point of relief is that there is a certain group of western states, there is a certain group of north central states, and there is a certain group of southern states that can not get along without it, and there is no use of fooling ourselves. They can not get along without it. There isn’t any possibility for them getting along without it. So I want to say this, that doing away with direct relief is merely a question of how many jobs you give. I mean in the large sense of the word.

Now, you come back and say, “Wait a minute! There are a whole lot of people here that can’t work. What are you going to do about them? We have got people in our state that can’t work.” Well, that is a problem; that is a real problem. And I think that is going to be the hardest part, so far as the state is concerned, what to do about them. And far be it from me to presume on a basis of this character to do anything in the way of advising what should be done. I would like to make this one observation, though, that I can see no good purpose served, and I can see many to the contrary, of a federal government getting mixed up with forms of social maladies for which they do nothing but give a grocery order. I, frankly, can think of nothing worse in the way of a basic policy of the federal government than that. In the first place, no organization such as ours can hope to do that class of work. There is no institution through which it can work. It is in no position of permanent arrangement. All on earth it does is to weaken and give excuses for not appropriating legitimate funds for those things which you folks back home have been years and years getting established. I look with great doubt upon anything of that character. I think the last—unless you want to give the whole hog, and I would be with you if you wanted to do that. I think the time will come when we will probably have to do this job on a much of a subsidy basis, that is, it will help institutions, it will help going concerns in the states, I hope, rather than be run by

the federal government, because I can not quite yet see the federal government getting into the role of running the institutions in the state. And you would not expect our administration, because we have been exactly the opposite, we have been against all this centralization all the time. But that is going to be one of the real problems and I say unabashed that is one of the things we have in mind, have had in mind during the last seven or eight months, is to help you governors, help the states, and sometimes I do not think our efforts were quite welcome. I am not looking at you Governor Horner, because I think you did welcome it, quite welcomed this business of helping you get some money, which would stand you in good stead when we pulled out on this front. And I want to say to you this, that money, of course, will and must be used for many purposes along this line.

Obviously, if you are going to have this problem handed back to you, you are going to have to use some of those resources you have accumulated to help out in it. That means like in Wyoming the other day they came up and said "We have got \$1,200,000.00 for the year. Now, you are handing back to us these unemployables. Can we use some of that money?" I said, "That is your own business. Only in so far as you have any contract with us have we got a thing on earth to say about it, of course." He said, "Well, will it be all right?" I said, "Of course, it is all right, if it comes within the purview of the legislation." In other words, a great many of you people are in a position, a better position this year to do this very thing than you have ever been, for the simple reason that you have got this money, and I think you can breathe a good deal easier on account of having gone through the fire on this.

I want to talk just a minute about this rural stuff. For a long time some of us have said that you should not mix the rural with the urban problem, that there is nothing in common between the problem of a man in Chicago and one down twelve miles out from Charleston, South Carolina, that there is just nothing in common between them at all and that the methods should not be the same. Therefore, you have seen a very marked effort to separate the two, the rural here and the urban here.

Now, this rural thing, the President has taken that very seriously, and I think one of the things that has gained as much ground as any other and has proven to be as sound a measure as has been worked out is this rural rehabilitation, and that is going to continue. I think it will expand. We have got now about nearly 200,000 families that are on that status, the rural rehabilitation

status. Mostly they are proving out, they are panning out. A good many of them are beginning to pay back a little money. The thing is really working. I do not know how high that they will go. I do not know that they will go much higher. It may be that you feel that you should stop it, but I do not care to make that claim. But there is a whole population of people that depend upon the farm for their living, and they are not in our cities and they are not on this rural rehabilitation. What are you going to do with them? There are about 600,000 families like that in America.

Well, frankly, gentlemen, our intentions are to provide for them through this work program, our intentions are to include them in the work program. That means, of course, that you are going to have the problem of drawing the line in the rural areas as to who gets a job on the work program. But that is no different from the rest of the whole problem. And, parenthetically, I would like to say right there, what we expect to do is to take a date somewhere and say that all people who were on relief during that month prior to this will be eligible for a job under this new program, and then provide some arrangement whereby replacements, once you get up to a full number, the replacements can come from people who apply for relief after that. In other words, this thing is still predicated upon people showing that they actually need this relief. A person must be in need in order to get aid, to get a job.

Well, I am getting over into the work program and I had just as well go on with it. I would like to say one thing about transients before I go. I think we have gotten less credit for that job than any other job and I am sorry of it. I think you all have missed a bet in not appreciating what has been done for you there. Maybe you say, "Well, we do appreciate it even if you don't know about it." Well, I think we have taken up an awful lot of trouble and misery. I know some of you do not think so much of that program. You think we are treating them a little too good. Well, I have been amazed at some of the work that they have done and I have been amazed at the cut-down in crime, and furthermore I have been amazed at the willingness of these fellows to work. I want to say here in behalf of these fellows that I think we have got most of them wrong. I think they are folks just like you and I, all but about ten or twelve per cent of them who are the chronic loafing type. Most of them are young fellows going out. One of the things that opened my eyes was to see a group of houses that had been rented and these young fellows put

in there and they put them in colleges and high schools and so on and those boys were leading their classes.

Well, it has cost some money, I grant you that, but this is the interesting part and I want you to get this fact, too, because it is very important that you have these things, I think. Our transient load has decreased in the last four months, gone down. Very significant, gone down. Now, we are going to do something for them under the new program. My thought is—I do not know whether it will obtain or not—but my thought is to say that they should go home and get a job. If they will go home we will get them a job and therefore do away with most of these shelters. I do not want anybody to quote me as saying that we are going to do away with these shelters, but my thought is if we can get them to go back home that is the best thing that could happen to them. You boys be careful how you quote me on some of this stuff. You have got millions of people involved here.

Well, let's talk about the work program a little bit. I do not know very much more about it than you do. I know that of the four billion dollars that remained after we had gotten our relief out of it for a period of three months, and after we had paid the bills up until the first of July, there was just a little over four billion dollars remaining. Now, there has been allotments passed upon by the board, at which the President was present, and which he undoubtedly fully approved. All of them, however, have not been signed by him. There has been \$700,000,000.00 for C.C.C., \$500,000,000.00 for roads, \$225,000,000.00 for housing, \$100,000,000.00 for administration, \$100,000,000.00 for rural rehabilitation, and how much that makes—about \$1,800,000,000.00 that has actually been agreed on out of that.

Now, how many people that \$1,800,000,000.00 will put to work, we do not know. It is not correct to say that this will average something over \$2500.00. It does not average that. As a matter of fact, nobody knows what it will average, for the simple reason—take the C.C.C. The President has insisted that everybody that gets on the C.C.C. come from a relief family, and that will mean then that there will be some people gotten off of relief there, possibly 250,000. Then this road fund. We do not know how many that will employ. It depends on what the money averages out. If it averages \$1400 then you will get a certain number. If it averages \$800.00 you will get a certain number. You can be very sure that the President is going to insist on this all taking a great many people. As a matter of fact we have got to.

Now, then, it comes down to this, that we have got \$2,300,000,000.00 left. Now, that is not a fixed figure, because, as you saw the other day, this housing program was not going forward, so that was held up. Therefore, there is some possibility—I don't think it will happen though—but that money is still unspent. Then there is some possibility along other lines. But let us assume that there is \$2,200,000,000.00. Now, that \$2,200,000,000.00 we have got to work about 2,500,000 people, so that you have got to give work to every man here that you can for about eight or nine hundred dollars apiece per man. Now, I think that that can be done. I think a good work program can be organized and run for eight or nine hundred dollars a man a year. In other words, you will have about three or four hundred thousand white collar people where there is no material cost at all. There will be a large amount of those people employed on types of work projects that there is very little material. I think you can figure on another three hundred thousand for that. We figure that we can put on necessary projects as high as thirty-five to forty per cent on some projects for materials and still keep within this sum. The work is going to be essentially the work that these people formerly did, as near as possible. As nearly as possible we are going to have people doing the thing that they used to do. If it is painting a picture, why, they will be painting a picture. If it is plastering a wall, they will be plastering a wall. If it is plumbing, they will be plumbing. If it is working at some manual labor, it will be manual labor. We do not expect to do much in the way of production of consumers' goods. We do expect to make garments still, dresses, men and women's underwear, and all that type of thing. But getting in any field of competition with business, we definitely are going to do very little of that.

The states, of course, will be in this relationship from the standpoint of these work projects. If a locality wants a certain thing done, like a school house built, and they come in and they say, "We have \$80,000.00. We want to build a school house. Will you put in this?" We say, "Yes." In other words, what the locality does on this is entirely up to them. Obviously, the man that does the best job in running this program is going to get the best sort of things built. I do not think, however, that we are going to do much more than we did on the C.W.A. in the way of saying "You must do this," or "You must do that." I do not think we will. I think we are going to be quite realistic about the whole proposition and so if you are able to run your own business common sense ought to dictate that you do it, because here is your

chance. If you want to muff it and forget it that is your hard luck. We are doing the best we can. But state after state has come along, not with such ambitious programs as Governor LaFollette. He offered an ambitious program of putting up thirty-five or forty million dollars as their part of the thing. Here is what we can do. You join in with us here and let's do the best job possible. I think we are finding really very encouraging situations there.

I do not want to go into too great details about this working of the job. We are going to have a difficult job of certifying these people for these jobs. We are going to use the N.R.S. right straight through, the National Employment Office. They will refer these people over to the work job. We will in the first instance refer them to the Re-employment office from our intake offices. As much as possible, it is our intention to use the local departments of welfare for that intake. Where that is possible, we expect to do that, because as a part of this whole thing I think we all are interested in building up strong local departments of social welfare, public welfare, and where you have got yourself and your men doing this work, then, of course, we expect to use them such as we do in Massachusetts, where we have never had anything but a work program identically on this basis, almost 100 per cent like this.

One thing, of course, is very distinct in this new program and that is it is much more federal than the other one was. This program will be very completely federal from the standpoint of its actual administration. You understand what I mean by that, that formerly the law provided that the funds were to go through the governments of the several states. This new law, this new act of Congress, provides that the President makes this allotment to an agent which he appoints and that agent then expends the money. That is, he gives so much to the Department of Interior, Public Works. He gives so much to the Navy for dredging, and so on. He allots so much to the Army. He allots so much to the Works Progress Administration, and the Works Progress Administration then spends that money. He has power under this to allot it to any locality. He has power to allot it to any state, but it is general a federal program just the same as the Public Works Program was a federal program. It is identical with the Public Works, the old Public Works Act.

Now, I think a good deal of background on that is necessary to all of you. I think you and the federal government knew that we were in a rather difficult posi-

tion under the old act. There was a lot of protest. I remember Governor Horner asked the question last year—and I sympathized with him fully—"What is my responsibility as a governor for the expenditure of this money?" We were in this position. We in Washington were made the stewards and agents of that money. But you signed for it when you got it across into Illinois. And yet as stewards of that money we had a responsibility. Now, I think, that it is clear that the whole thing being that, they draw a line right straight down the line and say that it is federal. That does not mean, of course, that under the act it could not be put through a Governor or a Mayor or a county board. There is plenty of authority there to do that if cases warrant it and it was felt to be desirable. But so far the plan is to deal directly with the state agency that is appointed by the federal government and that agency will then do the work down there as an agent of the federal government.

I want to speak next and finally about this business of turning things back to the states. I do not think it is always understood that in setting up this arrangement to say that the federal government was going to get out of this relief business, that there was at that time being proposed to the Congress a series of very far-reaching measures that would take up the very things that were being handed back to the states, but take them up in a much more intelligent and a much more desirable manner, and I speak specifically of such things as old age assistance, aid to dependent children, workmen's compensation, and old age annuities, as well as eight million dollars being set up for public health purposes.

There are two measures in that group that are particularly applicable here. One is old age assistance and the other is aid to dependent children. Aid to dependent children will be on a thirty-three per cent basis. Your states will be reimbursed thirty-three per cent of your expenditures. The states have the obligation of setting up a statewide arrangement, that is an administrative unit in every county in the state in order to share in that fund. There are thirty states at the present time that have got aid-to-dependent-children laws. The federal government offers an assistance that amounts to six and four dollars per child, six dollars for the first child, and four dollars for any other children in the family as their share in this thing up to that amount.

Now, I say to you very frankly that I wish that that were higher. I wish the federal government would give half or one-third of whatever is spent, instead of saying that we will give one-third up to that amount, because I

think that it is too low, I think it is entirely too low. But I am perfectly willing to accept that if we can only get this on the federal statutes and begin something here, because the counties have too long borne the entire burden of aid to dependent children. You states have been very lax in what you have done for your counties along that line. You have left it up to the counties to bear practically that whole burden, almost without exception.

Now, with regards to your age assistance, you know that. It is reimbursement of fifty per cent up to \$30.00 a month, but the federal government will not put in more than \$15.00. In that measure again we have some things that I could wish were changed, the requirements for residence, the age limits, and so on. But there again I think that the beginning of getting it on the statute books is so great that we ought to take almost anything—I do not mean fully that—but if it is at all adequate, rather than to let it go by the boards.

We figure that about—in these two groups that we ought to take about twelve to fourteen or fifteen per cent of your relief load, that this ought to help you with regards to that amount. Now, if that actually happens, you have gotten rid of or gotten help in taking care of a good big part of these people I was talking about a minute ago, provided you set up some arrangements. Now, this is true. For instance, if you have got a fund that the legislature has given you, you can really set up your own system provided the state law gives you power as governor to do such a thing. You can start this thing right off. You do not have to wait a year or so. The act is so worded that that would be possible.

Then, of course, there is the unemployment insurance act, and this annuity, both of which I think are very, very far-reaching. We might well wish they were more far-reaching, but what you are up against, I don't want to tell you that you are up against a formidable opposition on all these things. You are up against the same forces that have fought the child labor law for years and years and years. You are up against the same forces that have fought all measures pertaining to lowering hours of labor. You are up against the same forces that have never made any attempt to do anything for the masses of the people in an economic sense of our order and there is nothing they would not do to defeat these measures.

Now, I can not understand how anybody would not say that this is a much better approach to this whole problem than what we have had before. What it comes down to is this, gentlemen. It comes down to say that my first

proposal is work assurance basis for unemployed people of our land. That is what the nation holds out as the basic back log of security. Second, it holds out—well, I should put first as it would come along, this unemployment insurance. It does not include enough people to suit me, so, therefore, I do not think it could be counted on too heavily. It does not include farm hands, it does not include domestics. As a matter of fact it does include about twenty to twenty-two million wage earners, which is a substantial number of people. And considering that our turn over is around 500,000 cases a month, a great many people will weave in and out of industry constantly that will be affected by it, and there will be a dismal wage people will have immediately when they lose their job, and it will be very important. That is the first thing.

Then the second thing and the big thing is this work assurance thing. And, gentlemen, I can not help but feel that as a nation we have got to look forward to some form of a permanent and dignified and solid work assurance arrangement that will absorb people that are in and out of industry. It is the height of folly to consider these things temporary. The sooner we make up our mind as a nation that what we have got to have here is an arrangement of sufficient size and scope, and with a financial policy worked out to take care of and that will absorb quickly hundreds of thousands of people that are thrown out of industry, the sooner we are going to get our whole economic structure in the country on a sound keel, stable and secure, with people having confidence enough to spend what little they get and not try to hoard it up with the billions they now have in the savings banks, and the rest of the people needing something that they should spend it for.

The back log of work is the big thing that is going over and then along come these other things, old age assistance, aid to children, annuity plans for one's old age, that they can buy. Those things constitute the arrangements. Two of them, old age assistance and aid to dependent children should weave and dove-tail in with the states. The others are national, except, of course, unemployment insurance.

I do not think of anything else I want to say there or on this whole thing except to say just this final thing, which I do say with my whole heart, that I think I have had contact with almost every one of you, intimate contact with you, probably three or four that I have not, and I know I am speaking also for all the rest of the administration at Washington and for our state people, that

there has been team work, there has been co-operation, there has been willingness on the part of you as officials to do everything in your power, and I believe we can honestly say to the people of that this has been true of *us, in trying to meet this terrific and terrible situation.* I do not think I exaggerate the situation when I say that it is probably your greatest concern, it is the thing probably that is hardest for you to handle, it is the thing that operates on more fronts. I believe that is true nationally, and those of us who are concerned in it must have the patience of Job, and called upon for decisions that really no one human being should ever be called upon for, and only by patience and only by sincerity, and only by trying to put yourself in the place of these people constantly is there any chance whatever to succeed.

I wish for you that Mr. Hopkins could have been here. I have outlined this whole thing somewhat sketchily, but have probably covered the ground, and I would be very glad if any of you were to ask any questions. It is a pleasure for me to come down here, Governor, and meet with you. I thank you. (Applause).

GOVERNOR FRANK H. COONEY: Mr. Williams, I am Governor of Montana. I have known Mr. Hopkins very intimately, and I think he has done an admirable job. I will tell you what confronts me more than anything else in Montana. A person comes into my office and says "there are eight in our family, and we have never been on relief, but I can't get a job because I am not on relief." Now, what Mr. Hopkins wants to do and what you want to do and what we all want to do is to reduce this relief load and get people to work. Now, how are you going to do that when there are so many people can not get work unless the whole family goes on relief?

MR. WILLIAMS: Well, Governor, there is, of course, no answer to your question in many cases except that you ought to have a program that would permit that man to go to work.

GOVERNOR COONEY: That's just it. What are you going to do?

MR. WILLIAMS: But a program that would open up this thing as we opened up fifty per cent of the jobs in the C.W.A. immediately brought eleven million people for those jobs. So you are up immediately against the stone wall of how are you going to pay for it. It is a money question and I can not answer it, except to say that the only way you can control it is, a man, when he asks for work, he will have to certify that he actually needs it.

GOVERNOR COONEY: As the program is now, he has got to say that he is on relief.

MR. WILLIAMS: It is to be presumed that if he has been in need he would be on relief.

GOVERNOR COONEY: Well, now, that can be worked out. If this man can show that unless he gets work he has got to go on relief, he should be given work.

MR. WILLIAMS: Well, you can't say we would do that right now. If he wasn't on relief at the date that the line was drawn, he would have to wait until there was some opening.

GOVERNOR COONEY: He has got to eat, too.

MR. WILLIAMS: The only thing you can say is that you presume that everybody that really was in need was already on relief.

GOVERNOR COONEY: Our people are not and they don't go on until they get hungry. I will say that for the people of Montana.

GOVERNOR SHOLTZ: Any other questions that you would like to ask Mr. Williams? He certainly has been engagingly frank. I might suggest to my good friend, the Governor of Montana, that it is about time some of our people began to understand they would have to do a little shifting for themselves. We are all getting into the habit, even in my own state, we are all beginning to look to Uncle Sam to be Santa Claus. I think the toughest problem that we as Governors have is to stay from it if we can. I appreciate your problem because I have got it myself. I think the sooner all of our people begin to realize they have got to do a little helping for themselves and not all of us run to Washington as we have to the sugar barrel, the better off our people are going to be.

Are there any other questions that any of you other Governors want to ask? We want to thank Mr. Williams for coming. I like the frank way he attacked this problem. I like the human way he went at it.

GOVERNOR M. S. CONNER: I would like to ask Mr. Williams a question.

GOVERNOR SHOLTZ: All right Governor Conner.

GOVERNOR CONNER: I appreciate this frank discussion on your part. Are we to understand that the new works administration is to be handled in the states by federal agency set up by the federal government without regard to the constituted authorities of the state?

MR. WILLIAMS: Well, the first part, Governor, I think is correct. I think that this will be—this program will be set up as a direct branch of the federal government, but I don't think that you can without regard locally—yes, there will be no local arrangement between the two.

GOVERNOR CONNER: Well, otherwise without any consultations or conferences with the state authorities?

MR. WILLIAMS: Well, generally I would say that it is the desire pretty much of the federal government on all these things to work in the closest harmony with the states.

GOVERNOR CONNER: Then under what conditions would they make exceptions?

MR. WILLIAMS: Well, they wouldn't make any, they wouldn't make any exceptions under any case as far as they are concerned, not as an organization. All of you Governors are aware that in the reorganization of this whole program it has been definitely shifted from a state to a federal basis. Now, there have been, out of about forty states, there have been eight of them that have kept the same people. The others have been shifted. There have been other people—

GOVERNOR CONNER: May I interrupt you there?

MR. WILLIAMS: Yes.

GOVERNOR CONNER: Are we to understand that this work of relieving human suffering is to be put upon the same basis as post offices and that it is to become the congressional and senatorial patronage?

MR. WILLIAMS: Well, I won't agree to that, Governor. I haven't seen, from where I have sat in the picture, I haven't seen that happen.

GOVERNOR CONNER: You haven't seen that in any instance?

MR. WILLIAMS: I haven't seen that relief as such has yet been handled for any other purpose than to relieve suffering.

GOVERNOR CONNER: Exactly, but I am talking about the future and the administration of the relief program.

MR. WILLIAMS: We can not cross that bridge until we get to it, Governor.

GOVERNOR J. C. B. EHRLINGHAUS: We are right there now, sir.

MR. WILLIAMS: The only criterion—the only final criterion in the administration of this job is whether or not any man is given relief for some other purpose or on any other ground than that he needs it. That is the only criterion there is finally.

GOVERNOR CONNER: Yes, but whether or not he is going to get it on that basis depends upon whether the administration is partisan or political.

MR. WILLIAMS: Well, of course, we have got the government elected people, Governor.

GOVERNOR CONNER: And we have duly elected and constituted agents and representatives.

MR. WILLIAMS: That is right. And they delegate powers to us under certain conditions.

GOVERNOR FRANK H. COONEY: Mr. Williams, the federal relief and the public works are going to be separate institutions, are they not?

MR. WILLIAMS: Oh, yes.

GOVERNOR COONEY: They are not going to be combined under one head?

MR. WILLIAMS: No.

GOVERNOR COONEY: So the relief set-up is going to continue in conjunction with the federal government and the states working together?

MR. WILLIAMS: That is right. The F.E.R.A. will go out and the Works Progress Administration will come in, but Public Works will go on just as it is.

GOVERNOR COONEY: The relief will continue?

MR. WILLIAMS: Oh, yes, that's right. They will be separate.

GOVERNOR SHOLTZ: Is Governor Herring here? He was supposed to lead the round-table discussion on this this afternoon. Governor Park, won't you take Governor Herring's place and lead the round-table discussion on that?

GOVERNOR GUY B. PARK: No, but I would like to ask this question.

GOVERNOR SHOLTZ: All right.

GOVERNOR PARK: Will the states be expected to make their contributions to work relief as they are now making them to direct relief?

MR. WILLIAMS: Well, that really isn't—we haven't really got that down very much yet, Governor. I think about all I could say is this, that when these quotas come out, when this money quota comes out by states, and they will all be announced the first of next week, then I think your people out there, your present F.E.R.A. organization and our present F.E.R.A. organization will have to talk over next month's budget, that is, say the month of August. And you say, "Well, how many people have you got to work here." This will be a very practical thing. And they will say, "We got 20,000." "How many does that leave on relief?" "That leaves 90,000." He will say, "Now, Governor, you have so much money." In other words, I think this is practically what will be done. You will keep on putting in the pot on the general relief program until the work program really gets going, and then after that you will see what is left, and you will have to make up your mind just what you are going to do.

GOVERNOR PARK: We have been required to raise a certain sum, a definite sum, that supposedly was for direct relief, our proportion of direct relief. Now, when the work relief takes over, as it will ultimately, the direct relief, are we then supposed to continue contribution without participation?

MR. WILLIAMS: No, I wouldn't think so. I think this: I think that what you are going to have on your hands then is the problem of taking care of the people that are not taken care of out of the job program. You will have to retain —

GOVERNOR PAUL V. McNUTT: Those are the unemployables, aren't they?

MR. WILLIAMS: Let's don't use the word "unemployables." I want to make that designation if I may. There are so few people that are unemployables. Let's call them something else. I know any name that you call them will be bad. Let's call them dependents, or something like that. That is what you will probably use that money for.

GOVERNOR SHOLTZ: May I ask, in order to have an orderly discussion, when these questions are asked, whoever asks the questions, please rise, so that these men can get it in the record without asking the man for his name, and that will avoid a general confusion so that everybody will be given a chance to be heard.

MR. WILLIAMS: Is that clear now?

GOVERNOR PARK: I get your idea, I think.

MR. WILLIAMS: I think the temptation is going to be the other way. I think the temptation is going to be to put your money into this work program, to put your three million into the work program rather than into the remaining relief.

A VOICE: You mean the theoretical three millions?

MR. WILLIAMS: Now, don't tell me that.

GOVERNOR EHRLINGHAUS: You have been refreshingly frank. I would like to ask you—I understand heretofore the governors of the several states have been graciously permitted to sign checks that were sent down to us, and you from Washington have very splendidly directed the expenditure in itemized detail. As I understand it, from now on even that privilege is to be taken away from the governors. Is that right? The whole thing carried on from Washington?

MR. WILLIAMS: Well, I suppose that is one way of putting it, Governor.

GOVERNOR EHRLINGHAUS: I think that is quite correct.

MR. WILLIAMS: Well, I don't know. I think there is going to have to be a continuation, I know as far as we are concerned there is pretty much the desire for the strongest form of co-operation on this thing. I don't see how we can get along without it.

GOVERNOR EHRLINGHAUS: The only thing we want to know definitely, we want to know how much co-operation was expected from the Governors. That is a very pertinent thing to us now. As I understand it, there is nothing for us to co-operate in.

MR. WILLIAMS: I wouldn't say that. I think you are—the position you will be in on this thing is that you will have the federal government agreeing to pay a certain amount.

GOVERNOR EHRLINGHAUS: But not through the constituted authorities of the state.

MR. WILLIAMS: No. Pretty much on the order formerly of the public works.

GOVERNOR EHRLINGHAUS: The fact that we happen to be constituted authorities makes us suspects, is that it? (Laughter).

MR. WILLIAMS: That might hold in some quarters, Governor. I don't know what quarters you are referring to.

GOVERNOR EHRINGHAUS: I don't refer to any. I was trying to lay down a general rule to find out if it was correct.

MR. WILLIAMS: I think that they are going to be needed, regardless of all the factors that have developed in this picture. There is going to be needed a very close form of understanding between the states and the federal government. And things that are not promotive of that I think are not going to serve these people.

GOVERNOR EHRINGHAUS: Well, we don't understand that we are to be consulted about the spending in any way at all. Are we or the state paid anything else?

MR. WILLIAMS: I don't know about that, Governor. I don't know how far this thing will finally be done along lines in which it joins with the state, how far it will be done independently.

GOVERNOR EHRINGHAUS: You see you have been delightfully frank, if I may repeat it again. We are anxious to know—that is one of the purposes of this conference. We want to know just what is expected of us.

MR. WILLIAMS: Legally, Governor, you are 100 per cent right, unless the bill does still give the federal government the power and still gives the President the power, if he should so elect to exercise it.

GOVERNOR EHRINGHAUS: The only thing I know is that legally I am the governor of North Carolina, and these other gentlemen are all in the same fix.

MR. WILLIAMS: That is true. The only way to look at this thing is that the federal government is putting that money down here.

GOVERNOR PARK: Mr. Williams, regardless of whether the governors have directions of the expenditure of the funds, my understanding is that the people of their states will get the benefit of the work relief money expended, regardless of under whose direction it is expended.

MR. WILLIAMS: That is the intention, yes, sir.

GOVERNOR McNUTT: Mr. Williams, may I put the case correctly? It has been determined, for example, that Indiana could furnish \$1,100,000.00 a month ap-

proximately. We have that on our tax rolls and are collecting it and will continue to collect it. That money will be expended primarily for what this afternoon were dependents; and there will be a sufficient number of dependents, if the statistics are any guide, to absorb that much money. We have determined that during the period of this next year it will be possible, without exceeding constitutional limitations upon any political subdivision to raise approximately \$16,000,000.00 additional to be paid into this work relief program. For example, if the state of Indiana determines to make certain additions to the home for the feeble minded, which happens to be located in an industrial center, and the project was approved and the state would say to the federal government, "We can furnish \$250,000.00 of this project to be expended either for materials or wages." In other words, to put it into the total cost of the project. That would be the contribution we would be expected to make. But if, for example, in certain other communities we determined that the local political sub-division could not under the constitution furnish a penny, nevertheless we have a relief load there which must be absorbed on projects there in which both materials and wages would be paid and would be approved. But that is a matter of fitting itself into the conditions all over the state. The state may be called upon, and anticipating something of the kind the general assembly in passing an appropriation measure set aside an unappropriated fund to be expended at the direction of the budget committee with the approval of the Governor. On any of these projects if what has happened in the past continues in the future, the federal representative will from time to time consult on the projects within the state. There will be no difficulty on that question at all, that is, while it has not been set aside from the signing of checks and local relationships. Nevertheless, as far as we are concerned, I want to offer testimony here that it has been a very fine working relationship. I see no reason why it can not be done elsewhere. We are engaged in a business here, trying to put the persons who are unemployed to work, and it is a joint venture, where all human beings certainly can work together in that business. It seems to me that these specific examples bring out, if my understanding is correct, the plan which will be involved.

GOVERNOR EHRLINGHAUS: Governor McNutt, I think we all quite agree that we all can work together provided we are consulted.

GOVERNOR McNUTT: I don't think any of us should be standing on our dignity, Governor, just now. It

doesn't make any difference whether the Director comes to my office or I happen to go to his. I have been deeply interested and occasionally I go in there and talk to him and he has been free to enter my office at any time. That kind of relationship has existed.

GOVERNOR BIBB GRAVES: Mr. Williams, it strikes me that the substance of the law is that the federal government has undertaken a program, made provision for it, placed its administration in the hands of the President and intended that he should use existing federal agencies. So far as the law is concerned, I do not suppose there is one here at sea on what the law is. I hardly think that Colonel Williams should be asked as to exactly how the President is going to pick soup ladles to divide this thing. If he sees fit to ask me in Alabama for a suggestion, I will find lots of them. I have got lots of them I can give him. If he might see fit to ask some Senator or somebody else or all of us, as to his guidance in the carrying out of this great program, I think that he will ask for light as long as he feels he needs it. But I just think it is hardly fair for us to ask the Colonel here. He can not know any more about it, I do not believe, than we do as to how the President is going to pick soup ladles or dip out this soup. (Applause).

GOVERNOR SHOLTZ: Any other governors wish to ask Mr. Williams any questions? Mr. Williams is going back to Washington directly.

GOVERNOR COONEY: Mr. Williams, in regard to this \$15.00 a month for old age pensions. At the present time that is being paid from federal relief funds, is it not?

MR. WILLIAMS: Well, not as such, no, Governor. I could only say where a man is getting aid who falls into that group—I mean the federal government is putting out no money as such for old age assistance.

GOVERNOR COONEY: He is a dependent by reason of old age.

MR. WILLIAMS: Yes.

GOVERNOR COONEY: He gets that through money that has come under the federal relief to the state.

MR. WILLIAMS: If he gets it.

GOVERNOR COONEY: If he gets it.

MR. WILLIAMS: That's right. But this other would be in a different category. He would have to be a certain age and live in a state a certain number of years, and

he would have to be in need. At the present time we have got 760,000 people above the age that would qualify them for this relief, for this old age assistance, in the nation. We have got 760,000, but you would hardly call it giving old age assistance. I mean it would not be classed as such.

GOVERNOR COONEY: The question I am asking, the money that is being paid now is coming out of the relief money allowed to the states, is it not?

MR. WILLIAMS: Yes, whatever it is, except what the state itself is doing like up in Illinois and New York. The states there are doing something of their own.

GOVERNOR COONEY: We are, too. We are putting up \$15.00.

MR. WILLIAMS: Well, that's right.

GOVERNOR COONEY: Now, regarding the other money for public works, I will say that as long as the Federal Government is going to put up 90 per cent of this money or 95 per cent, I am willing that they have a lot to say about how it shall be spent.

GOVERNOR SHOLTZ: May I ask a question of Mr. Williams to see if I understand your explanation and whether or not it has been clarified? This \$15.00 that you have reference to for the old age annuity is contingent upon the state matching it, am I correct in that understanding?

MR. WILLIAMS: Yes, sir, under the new plan, under the plan before Congress now.

GOVERNOR EHRLINGHAUS: And contingent upon congressional enactment?

MR. WILLIAMS: Yes. That has not been enacted yet. That has not yet been enacted by Congress.

GOVERNOR COONEY: I didn't think it was, but our state is paying \$15.00.

MR. WILLIAMS: You would qualify under the act.

GOVERNOR COONEY: That money would come from the federal relief money?

MR. WILLIAMS: No, it would not. When this act is enacted, they set up a special board for that.

GOVERNOR COONEY: Yes, but that act is not enacted yet.

MR. WILLIAMS: But we can not give you out of our money any old age assistance as such. We can not give it to you and match your money. We can not do that. All we can do is to put the money in there for relief.

GOVERNOR COONEY: And it can be taken out of there by our relief board, that is, to match up what the state has put up.

MR. WILLIAMS: Well, provided the people that receive it come within the general requirements, budgets and everything else, that is right. They are not quite as frank about it as you are being. They do it in a good many states without so saying, that is, they take widows who formerly got widows' aid assistance and put them on the relief rolls. They do not give them widows' aid any more, they just give them relief.

GOVERNOR SHOLTZ: Mr. Williams, I imagine there are some states here that have constitutional inhibitions that they can not overcome until next November, a year from now. For instance, in my state we have voted a constitutional amendment allowing the state to consider the question of old age pensions, but until next November we can not do anything about it. Now, what will be the attitude, if you can say at this time, as to the government's participation? That may be a question that some of the others may be interested in.

MR. WILLIAMS: Well, I don't think that it is contemplated that the government would make available any money until your act passes. If you as a governor had a fund there of any amount and you cared to state whether that system would meet federal requirements and put yours in the pot, the federal government would match it. But until you come across and do something—I mean it doesn't take legislative enactment. It takes a plan in the state. That is what it takes to get this federal money, according to the proposal before Congress at this time.

GOVERNOR EHRINGHAUS: Is that true with reference to unemployment relief?

MR. WILLIAMS: You mean unemployment insurance, Governor, or relief?

GOVERNOR EHRINGHAUS: I mean unemployment insurance. I beg your pardon, sir. The point that occurred to me is this, Mr. Williams: There are, of course, a great many state legislatures which were in session at the beginning of this year and which waited on congressional action before taking final action with reference to

these so-called social securities measures. Now, the Congress has not yet acted. The legislature of my state, for instance, has adjourned. It authorized a set-up receiving voluntary contributions by way of matching federal funds. Would such an arrangement as that be permissible?

MR. WILLIAMS: Under the proposed act before Congress for unemployment compensation it does not provide for any federal participation except the cost of administration.

GOVERNOR EHRLINGHAUS: I understand.

MR. WILLIAMS: The state bears the whole thing there and the state sets up its system and all the federal government does is to collect that money and then hand it back to you when your system gets on the books.

GOVERNOR EHRLINGHAUS: The point I am making is that the legislature did not and, in fact, could not authorize the imposition of a tax upon industry.

MR. WILLIAMS: No.

GOVERNOR EHRLINGHAUS: Because it did not know what the final congressional action would be, and, therefore, it could only provide for a set-up authorizing an industrial contribution to a fund to match the federal funds. Such an arrangement as that—

MR. WILLIAMS: I don't know. That is pretty complicated. I wouldn't think it would work.

GOVERNOR EHRLINGHAUS: It would match federal funds in exactly the same proportion that the federal act provides.

MR. WILLIAMS: That would work on old age assistance and aid to dependent children. That would work perfectly. You would be all right with that, but on this workmen's unemployment insurance the federal government does not match anything. That only comes into existence on the basis of you having levied a tax that secures that money. Until you levy that tax you can not get anything.

GOVERNOR EHRLINGHAUS: Until a tax is levied?

MR. WILLIAMS: Anything. They say one per cent tax the first—beginning in 1937, two per cent in 1938, and three per cent in 1939. I believe that is it. And then in 1941, I believe, the thing starts in, according to the present nature of the act.

GOVERNOR EHRINGHAUS: You see so many of the states are in the position of having an adjourned legislature now, and to meet the situation as you suggested would require the expense of a special session.

MR. WILLIAMS: I think that is going to be true in a great many states, and it has been very unfortunate the thing has been delayed because it is essentially the localities' affair.

GOVERNOR EHRINGHAUS: Most of us had legislatures on our hands for a reasonable length of time as it was.

MR. WILLIAMS: I am not blaming you for not keeping them any longer.

GOVERNOR GEORGE C. PEERY: Mr. Williams, when the bill was first drawn with reference to unemployment insurance, didn't that act provide that the federal government would collect this whole pay roll tax and then give back to the states 90 per cent, the larger portion of it, so that if the federal bill goes through the pay roll tax would be collected, and if the state didn't get any he lost it.

MR. WILLIAMS: That's right. That is automatically, you understand.

GOVERNOR EHRINGHAUS: I understand that. What I was trying to get at, in order to come in do the states have to levy a tax?

MR. WILLIAMS: No.

GOVERNOR EHRINGHAUS: Or can they come in by voluntary contributions under a legally constituted set-up?

MR. WILLIAMS: Yes, you got to have a legal—you have got to pass an unemployment compensation law for North Carolina.

GOVERNOR EHRINGHAUS: We have that. I will say that we have an unemployment insurance set up authorized by the legislature and it is authorized to receive contributions.

MR. WILLIAMS: Contributions from the federal government?

GOVERNOR EHRINGHAUS: Contributions from the federal government, and also from industry itself.

MR. WILLIAMS: I think you are probably ready to go as quick as the government passes its act.

GOVERNOR EHRLINGHAUS: We couldn't pass a tax when we didn't know what tax to pass.

MR. WILLIAMS: I would be very glad to have that gone into for you.

GOVERNOR EHRLINGHAUS: It was the very best we could do under the circumstances.

MR. WILLIAMS: Of course, you have got as good a woman as there is in the country, Mrs. O'Berry.

GOVERNOR EHRLINGHAUS: We think she is one of the best in the land.

MR. WILLIAMS: Yes, sir, she is a wonderful woman.

GOVERNOR EHRLINGHAUS: And I venture the suggestion here and now, I think you will agree that we have co-operated with you.

MR. WILLIAMS: You have, Governor, yes, you have.

GOVERNOR SHOLTZ: Are there any other questions before—may I express to Mr. Williams, I think, for all of the Governors present, our appreciation, sincere appreciation for his coming down here. I wish he would take back to Mr. Hopkins our appreciation. I am sure that we thank Mr. Williams most cordially for the manner in which he has endeavored to give us the information that will enable us to do the things that ought to be done.

Now, before we adjourn for the afternoon Mr. Secretary has an announcement to make and I will ask him to make it now. Governor Hardee.

GOVERNOR CARY A. HARDEE: Some messages have come to the conference since we started, which I will read at this time.

"Cary A. Hardee, Secretary, Governors' Conference,
Buena Vista Hotel,
Biloxi, Miss.

I am sending a short paper entitled 'State Cooperation through Interstate Compacts' through Miss Ethel Johnson and I would appreciate it if the same could be read before the conference stop I think it is an important subject and paper represents my views along this line.

H. Styles Bridges,
Governor of New Hampshire."

And a similar message from Honorable Henry Parkman, Jr., Chairman of the Interstate Conference on Labor Compacts:

"Miss Ethel Johnson of New Hampshire Commission on Interstate Compacts left New Hampshire last night to arrive at Biloxi late Thursday prepared to report at morning session on Friday, June 14th."

I assume this will be considered by the Executive Committee, and, if possible, this paper might be presented following the discussion on the N.R.A. tomorrow because it would seem to fit in to that discussion.

And another telegram:

"George B. Powers, Chairman Arrangements Committee, Buena Vista Hotel, Biloxi, Miss.

Owing to extending session New Jersey Legislature Governor Hoffman will be unable to leave New Jersey for Governors' Conference stop. Please express his regrets to members of Conference.

Elizabeth J. McLaughlin,
Personal Secretary to Governor."

And another telegram:

"Gov. Cary A. Hardee, Secretary,
Governors' Conference, Buena Vista Hotel,
Biloxi, Miss.

American Engineering Council as the Washington Embassy for Engineers and Engineering extends greetings to the governors of the United States and offers them the full cooperation of the engineers of this country through its public affairs committee.

Frederick M. Feiker, Lemuel V. Reese, Secretaries."

One other announcement, gentlemen. The motion picture people and the camera people have been very nice this time. They have not asked very many of you or hardly any of you, I reckon, to pose for pictures, and that is one of the things that goes with the governor's office, is posing for pictures. Now, the Fox Movietone people are here and they are going to want a group picture of all of the governors present. The people back home from your respective states know that you are attending the conference, and in the days to come and this picture being flashed upon the screen in the different motion picture houses of the country, it seems well that you get in that picture so that your people would know that you did actually attend this conference. Now, don't any of you governors get off, please, but right out here I think they propose to take it, in that rare beautiful setting, every governor and every lieutenant governor and ex-

governor and representatives that are here, as soon as they get ready they will want to take your group picture right out there.

I believe that is all, except, Mr. Chairman, let me further announce that you will see on the program an address by Governor Fitzgerald of Michigan. We have notice from Governor Fitzgerald that he has been delayed and will not reach the conference until 7:30 this afternoon. I am sure that the executive committee will be able to make arrangements for him to give his address tomorrow some time during the session.

GOVERNOR COONEY: There will be a meeting of the Auditing Committee immediately after adjournment, right here.

GOVERNOR SHOLTZ: You governors were here this morning and I imagine those of you who are on the Auditing Committee will remember it. I will ask you to meet with Governor Cooney immediately after adjournment, which is until tomorrow morning at ten o'clock.

If there is no objection, we will stand adjourned until tomorrow morning at ten o'clock.

(Whereupon, without objection, an adjournment was taken until 10:00 a. m., June 14th, 1935).

**Third Session, Friday Morning, June 14, 1935,
At Ten O'Clock A. M.**

GOVERNOR McNUTT:

Before this session opens I take great pleasure in presenting to this conference our friend of many years, the Honorable Bibb Graves of Alabama. (Applause).

GOVERNOR BIBB GRAVES: Friends, before your minds get diverted into immaterial matters, I want you to see how still that water is. That is Mississippi Sound. Barges go from Birmingham to St. Louis there. It is always still. It is land-locked from the mouth of the Mississippi to Mobile Bay. It is shallow. It has in it more shrimp than any other place in the world, minnows, sardines, mullet. Now, there is a good comes out of it and I want you to avail yourselves of. Every big game fish in the Atlantic is migratory, as much so as geese and ducks. Tarpon, king mackerel, and things of that kind winter at the north of South America and they summer in the shallow waters of the North Gulf, Mobile Bay, Pensacola Bay, Perdido Bay, and Mississippi Sound. Here is where all the feed is. Here is where they come up on either side. You can catch them in transit, going or coming, anywhere they are, but they are here now. They will be here until cold weather.

Now, Alabama, at the other end of this sound, Dauphin Island, where it goes into Mobile Bay, puts on one of the things we put on in Alabama where I was before in this place, a fishing rodeo. There are more game fish in this sound, I believe, the better at that end than I dare say that Governor Conner would think right here, but in this sound there are more game fish this summer than anywhere in America. There will be a thousand fishermen there. There is a government barracks that is at old Fort Meades, which are still in a fine state of repair, and we have used them for dormitories. The National Guard furnishes their cots, and they also furnish a soup house where you can eat.

I want to on behalf of Alabama and this southland to invite every Governor in America to come and see the greatest playground in America here. You do not have to go to the other side of the world to have a good time. (Applause).

GOVERNOR McNUTT: It is a pleasure to present as your presiding officer this morning the Honorable Harry W. Nice, Governor of Maryland. Governor Nice. (Applause).

GOVERNOR HARRY W. NICE: Ladies and gentlemen, I find it hard to conceive of anything coming out of Alabama as being shallow, and I think we all ought to accept the invitation of the Honorable Bibb.

GOVERNOR GRAVES: We have minnows down here. We want a few more.

GOVERNOR NICE: I didn't catch that.

At the very beginning I want to express to the Executive Committee my very deep and sincere appreciation of the very great honor that they have accorded me in selecting me as the presiding officer for this session. At the same time I should like to pay public tribute to the hospitality and the great courtesy which has been extended us by our host governor and the people of his magnificent state. Personally these things will ever live as the most pleasing among my cherished memories.

The conversations to be held during our short stay in this charming southland may have their repercussions in the congress of the United States; but whether or not these conversations shall be viewed as constructive, basically sound, and productive of ideas beneficial to the nation, must not deter us from frankness and courage of expression; nor must we fear criticism based upon charges of partisanship. As you all know, I am a Republican. It is true I am functioning in splendid isolation, but I sincerely ask you to believe that I am anxious to be helpful, and to acquit me of any intention of speaking in a party spirit or of indulging in destructive criticism. Perhaps you will be kind enough to receive that which I shall say in the spirit of the great Voltaire, who said: "I wholly disapprove of what you say, but will defend to the death your right to say it."

The Republican Party, if I may be permitted to transgress for the moment, must ever function within constitutional limitations. Its object should always be to obtain and preserve every effort that may have as its objective the welfare of the nation; and it must never condemn any honest effort, whatever the source, that looks to the national good.

I am well aware that my suggestions may not constitute definite solutions of the many serious and vexing problems now confronting us, but I dare say that the same will be true of the suggestions offered by others here. But, after all, the purpose of this conference is an exchange of views, out of which we hope some good will come.

The past five years have written the greatest economic debacle ever recorded in our history. Savings accumulated through years of thrift have been wiped out; unemployment continues; and relief of the destitute has become the most important duty faced by the nation. Our faith has been shaken; demagoguery has become rampant; and the very foundation of our government has been threatened. Hysteria has gripped many of us; and sound judgment has been usurped by costly and futile experimentation. Many of us, not alarmists and by no means pessimists, have been disturbed as to the future.

In the beginning most of us lacked courage. Had we maintained a firm stand for rehabilitation in conformity with the constitution and with sound economics, I am convinced we would now have a more substantial recovery than that which exists. It was this uncertainty of the public mind that enabled political quacks to intrigue with their cure-alls the imagination of a depressed people. Many of them meant well, but simply did not know. They preached the doctrine of minimum effort and assured income. Their inevitable goal was the destruction of individual initiative and the substitution of a debilitating and destructive paternalism. People were deceived by these Hans Anderson fairy tales, only to find that, at the end of the rainbow, there was no pot of gold; and, thus disillusioned, they are now full of discontent.

The first step in correction of this situation lies in courageous action, in stopping extravagance, enforcing economies, and in reducing taxes, so that the industries, and particularly the smaller ones, may live. The result can only be accomplished through willingness on the part of every one of us to place our shoulders to the wheel, and through concerted effort, get things going. Meanwhile there will be much genuine distress to be relieved; but we do not need to keep up an expensive kindergarten for baby theorists.

During uncertainty, false prophets make headway, because to many people a change of any kind is always alluring; but the time has now come to abandon the four hundred and follow the one; otherwise, we shall be finally led to the precipice. Men with abiding faith in the fundamentals of our government, and possessing real courage, must bravely face the situation of the hour and guide the ship of state by those sound constitutional principles which have ever in the past brought it into a safe harbor. What are those principles?

We are face to face with the results of a decision of the Supreme Court of the United States, more momentous

than any rendered in the span of the life of any governor present. When this conference was called, there was no intimation of this decision. Many from the beginning believed the N.R.A. legislation to be unconstitutional, and numerous *nisi prius* decisions so held. Washington, however, was totally unprepared; and, as a matter of fact, when the decision was announced, bills were pending in congress for an extension of the N.R.A.'s career; but the court's reminder that the constitution still lives, caused chaos in the ranks of the four hundred false prophets. But is it not obvious that the distinction between the powers of the national government as granted it by the states, and those reserved by the states to themselves, is the actual bed-rock upon which our system of government rests? It alone preserves the rights of the states and limits centralization of power in the federal government. While this, from the standpoint of the constitutional lawyer is elementary, the unanimous opinion of the Supreme Court reiterating this principle, came to most of us like a breath of lavender.

What followed? The first reaction we received from Washington was a condemnation of the decision, with the hasty comment that it would throw us back into the "horse and buggy" era. Later we heard that the remedy lay in making legal that which had been declared illegal; and that a constitutional amendment was imperative. This not meeting with public approval, other stimulants have been proposed; and it was because of this state of indecision, that I assumed the liberty of telegraphing you gentlemen suggesting a special conference. While most of you agreed with me, you counter-suggested the sufficiency of this already scheduled meeting, which I think was entirely proper.

Now for some suggestions. The problem confronting us is to correct the error of the first instance—the error of attempting to do illegally that which, to a large extent, can and should be done legally, that is, by the states themselves. This error, with its many and futile "codes" has resulted in hardship to both industry and labor, and in reaching a solution, the rights of both must be safeguarded and protected. Capital must not be handicapped; and labor's rights must be safeguarded. But, politics aside, what state lacks power to deal fairly with these questions, if it really desires to so deal? The so-called chiseler is a constant, although sporadic, type; but public sentiment, properly organized, and backed by persistent publicity, will reach even him.

And so with such questions as child-labor, sweatshops, working conditions, hours of labor, and unemployment

insurance. These are vital to the well-being of many, and should have unremitting consideration; but these questions are primarily matters of local concern, and should be dealt with by the states in accordance with their local requirements and necessities. Federal laws and codes must be general in their operation; and are bound to be misfits in many states and nearly all industries.

We must, moreover, realize, before it is too late the danger of the ever-increasing federal taxation, which is drying up the sources of state maintenance. It is axiomatic that all costs of government must be paid either out of the income or the principal of the citizens. To attempt to carry the cost of government out of principal, spells financial disaster. It must be met out of the income, and such expense must be within the income. Eating the seed-corn may be good politics, but it is poor statesmanship.

Through extravagant expenditure and its inevitable waste, we find ourselves in this country on which God has bestowed the greatest blessings of wealth in natural resources of every description, in a condition where the average citizen is being ever borne down by an increasing load of taxation. We must remember that we, the people of the United States, are in fact the government; and that whenever our agents are guilty of extravagance and waste, they are squandering our money. If no other thought is advanced at this conference, than that there must and shall be a prompt curtailment of governmental expenditures, the conference may be considered a success. If you gentlemen representing your various states can carry back to your people the slogan that spending shall be curtailed and taxes reduced, the time which we have spent here will have been well spent. The only sound remedy for the condition in which we find ourselves is to make it assured, through our representatives in Congress, that the federal budget must be balanced; and we ourselves should see to it that the expenditures of every state, city, town and county be curtailed until recovery and re-employment return. Remember that to hesitate is dangerous; waiting is disastrous, for while you wait, demagogues, inflationists, and organized minorities are feverishly exploiting the ignorant for their own selfish purposes.

Finally, it will not do for us, whether we be Democrats or whether we be Republicans, to confine ourselves to mere political arguments, for if we do so, then we will, unconsciously, be guided by mere expediency. We must go deeper than expediency. We must decide our course of action upon the basis of what is right and what is

wrong as measured by the law of the land, remembering that ours is a government of law and not a government of men. Much trouble today lies in the fact that many of our public men seem to be guided wholly by expediency. Politicians they may be called, having their eyes on the next election, as distinguished from statesmen who have their eyes on the next generation. Economic distress is bad enough, but our future as a nation depends upon a strict adherence to the fundamental law of our being; and while this law stands, no emergency can give powers of dispensation to the government. A forcible and fine exposition of this principle can be found in the words of Mr. Justice Brandeis, dissenting with others, in the case of *Olmstead vs. United States*, which involved the lawless conduct of some prohibition agents. He said:

"Decency, security and liberty alike, demand that government officials shall be subject to the same rules of conduct that are commands to the citizen. In a government of law, existence of the government will be imperiled if it fails to observe the law scrupulously. Our government is the potent, the omnipresent teacher. For good or for ill, it teaches the whole people by its example; crime is contagious. If the government becomes a lawbreaker, it breeds contempt for law; it invites anarchy. To declare that in the administration of the criminal law, the end justifies the means—to declare that the government may commit crimes in order to insure the conviction of a private criminal—would bring terrible retribution. Against that pernicious doctrine, this court should resolutely set its face."

There must be a return to national sanity; the government must function under and within the law; the constitution must not be evaded, weakened or destroyed. It is the foundation upon which we were builded, and it is sufficiently elastic to cover any present situation and provide for any contingency of the future. Under it we have lived and thrived for 150 years, and no undue advantage has been permitted to be taken of any group of citizens. Any attempt now, therefore, to exploit some of our citizens in the interest of others, is fundamentally wrong, offensively unlawful, and destructive of the liberty of the nation. We must live and let live. We must deal with all of the people with an even hand, dispensing equal and exact justice. In so doing we will return to that government carefully conceived by those who builded this nation, and so functioning, we will go on with great rapidity to economic recovery, prosperity, peace and contentment. No possible emergency can justify the philosophy which has been injected into our national

government of scrapping the states and filling the land with federal agents. This union was conceived by the brains of sound, earnest, honest men, whose sole object was to build a nation of independent states, which, while they were independent and separate entities, so far as the conduct of their internal affairs was concerned, were united, one and indestructible. (Applause).

Now, ladies and gentlemen, having gotten that out of my system, let's proceed with some of the serious work of the convention. The late lamented Mr. Cato, through the thundering of his oratorical text upon Carthage finally destroyed that city. The gentleman out in Indiana buckled on his armor and did war with an intrenched Republicanism and he emerged from that battle crowning and crowned the great free independent Democracy of Indiana. I am sorry for that politically deluded state. I congratulate it upon its election of its chief magistrate.

We will now hear from the Honorable Paul V. McNutt, Governor of Indiana, who will address us upon the "National Industrial Recovery Administration and the States," and I dare say will properly seat me where I belong. (Applause).

GOVERNOR PAUL V. McNUTT: Mr. Chairman, ladies and gentlemen of the conference, this seems to be a day of Jeremiahs, but a decade ago Ferrero, eminent historian of Rome, in an amazing book, appropriately entitled, "Words to the Deaf," wrote:

"There have been epochs more uncouth, poorer, and more ignorant than our own, but they knew what they wanted. What do we want?" he asked, and then went on to say: "That is the essential question."

Every man and every epoch should keep this question constantly before them, just as a lamp is kept burning day and night in dark places. Ferrero was right. This is the essential question. To know what we want and to want what we need are the beginnings of statesmanship. Do we know what we want, and do we want what we need? Have we a clear conception of the role of the state in the affairs of the time, or at the end of a century of science will we confess confusion and revert to a rule of thumb in things political? Do we know what kind of a political, social or economic order we want or not? Ferrero thinks not. On the contrary, he wrote: "Our will is in a state of complete confusion. Sometimes it is split in twain at once desirous of good and evil or of benefits that are mutually exclusive. Sometimes it carries itself in agreeable falsehoods, persuading itself that it

desires one thing while all the time it desires something different. Sometimes it entirely strays away from reason and reality, lured on by a mirage."

Ferrero has been one of the major pessimists of the old, one of the major Jeremiahs. There are plenty of major and minor Jeremiahs all around us today, and rather than use the words of any of these prophets of evil it might be well to retain for this day and age George Washington's expression of the American spirit: "The game is yet in our own hands. To play it well is all we have to do."

For those of us who are about in middle age, virtually the whole of our adult lives has been spent amidst the disturbances, the threats and the dangers of crises. There were a few years, say from 1924 to 1929, when it seemed as if the earthquake of 1914 were over and that the ground beneath our feet had ceased to tremble, and that in our western world at least the destruction was being repaired, the wounds were healing, and men had resumed the works of peace. We know now that this was an illusion, that it was only a temporary lull, and that then there came upon us convulsions greater than any for which we were prepared. Then for twenty years, with only short intervals of comparative calm in which to catch our breath and compose our spirits, we have lived in the storm and stress of man's incalculable differences. Not every generation goes through an ordeal of this kind. Our fathers had their troubles in the nineties. They had worked their way through panics and acute economic disorders, but only two other generations of Americans, those who made the republic between 1776 and 1810 and those who held it together between 1861 and 1880 had really known what it meant to have to defend the very basis of civil life against a break-down in the aggregate of separate, single groups.

It is difficult to over-estimate the nervous strain to which responsible men and women have been subjected to in these last two decades. They go back to 1914 and then realize the tremendous demands upon human energy, the terrible anxiety, first of the world war, and its cruel miseries, then of the peace-making and the enormous competition of high ambition and violent passions, then of the revolutions that overthrew all of the enterprise of continental Europe. Then came the early twenties when man had to fight every foot of the way against the fierce resistance of a terrorized and shell-shocked mass of people. Then the break-down in 1929 and all of the panics and the revolutions which have swept mankind. Any man who has lived through these tremendous

years, has tried as a responsible leader or as a conscientious citizen to do his part to arise to the occasion, and contributed what he had in him, has endured anxieties, has drawn upon his reserves of moral forces to a point where at times it has seemed inhuman to ask any more of him.

We need not be astonished that statesmen have become confused and that people have again and again acted as if they were more than a little mad. The generation which has been passing through the ordeal of the present crisis is shocked, weary and nervously spent. It has been frightened by blow after blow for which it was not prepared, bewildered as one false hope and one false promise after another has been dashed to pieces. It has been the state of mind which has really dominated the crisis. If men all over the world were calm, collected, willing to listen to reason, or at least willing to trust leaders who followed reason, it would not be difficult to make the necessary adjustments to insure peace and to set the world's momentum going. There have been plenty of projects which would have worked in a world where men were disposed to accept them. They have not worked because they were submitted to people who were too frightened, too hysterical, and too discouraged to understand. You undoubtedly now realize that a demoralized people can not make any social order work. It does not make any difference whether it be capitalistic, socialistic, or communistic, or what not, a collected, confident people can probably make most any system work tolerably well, and if necessary, when it does not work, institute reform.

Let me illustrate what I mean by our own experience in the last two and a half years, and in say the last year. Let me disagree with the chairman of the morning session. In 1932 patience was exhausted. Panic seized the people and we were turned by popular stampede into something very near a catastrophe. By the end of February all enterprise was paralyzed and all confidence gone. So deep and widespread was the demoralization that recovery by the old method of individual initiative and piece-meal adjustments had become impossible. There was not merely a financial panic. There was a political and moral panic. In every town the banks were closed. In almost every large city the treasury out of which the hungry had to be fed was empty. In Washington the Congress and the chief executive were in hopeless deadlock. Nowhere was there any organized power standing, around which the people themselves could rally. It was under these conditions that the new administration took office.

What had to be done? Was it possible to pass laws to end the crisis? What the President did was more realistic and more statesmanlike than that. He made it his first business to prove to the people that we had in Washington a government that could govern. In his first three months he implanted that conviction in the minds of the American people and in the minds of the entire world. People had seen the congress and the executive so deadlocked that almost no measure could be enacted. They had lost hope, not only in their own ability to meet the crisis, but in the ability of any one to do anything about anything. That was the very essence of the crisis and to overcome it the President, inspired as few men have been in our age, drove through a whole series of measures in record breaking time, and served notice on every one that government was restored to full vitality.

There was vigor where there had been weariness; unity where there had been dis-unity; and the power to act where there had been delay. The impression was driven home that there was no vested interest so powerful that it could block the action of government; that there was no dogma so deep-seated that it could prevent a full experiment; that there was no important group of people whose problems the government was not prepared to take in hand. If you go over the list of things done by the 1933 session of Congress, you will find that the thing which distinguishes them all was that they constituted a perfectly overwhelming demonstration that the government was master in its own house; that it was in command of the situation, and that it had untold resources and not hesitant about using them.

The correctness of the performance can not be measured by the contents of the program. It must be measured by its scope, its spirit, and its vitality. By June of 1933 we had become an organized nation, confident of our power to provide for our own security and to control our own destiny. It was a triumphant achievement and what I wish to emphasize is that it was brought about, not by the specific provisions of the laws that Congress enacted. Some of the provisions looked at separately in the light of the happenings of the last three weeks were hardly debatable. That has been expressly stated by the President, and understood by every one. What mattered were not the particular measures, but the will and the purposes which inspired them. The President and the Congress imbued the whole people with their own courage, tolerance and willingness to face the facts, their own indomitable faith in the victory, the power of reason and good will.

To repeat, the secret of the attack on the crisis did not lie in the National Industrial Recovery Act or in any legislation as such. It was to be found in the revival of the American spirit through the conquest of fear, and what we must now remember is that just as no policy is a panacea, no defeat is a disaster, provided the government and the people hold fast to the conviction that we have come out of the worst of our dangers by overcoming our own demoralization, and that it is our purpose to carry through. There is no need for us to apologize to ourselves and to insist that it was not statistical calculations, economic theories or technical procedures, important as they are, but the attainment of a moral unity among free men which raised us out of the depths of despair and confusion. We have had to work our way out because we are indomitable. Having fixed that clearly in our minds, that in a country so richly endowed, in a nation so full of the vital energy, there could be no collapse through any cause except the demoralization of the people. It was demoralization that brought us to the verge of ruin. It was demoralization that we overcame, and unless we become again demoralized, the enterprise of the people working through collective understanding will carry us through to safety and to well-being.

Just a week ago the President, in response to a question by a Washington correspondent, gave felicitous expression to these high purposes:

"The social objective, I should say, remains just what it was, which is to do what any honest government of any country would do—to try to increase the security and the happiness of a larger number of people in all occupations of life and in all parts of the country; to give them more of the good things of life; to give them a greater distribution not only of wealth in the narrow terms, but of wealth in the wider terms; to give them places to go in the summertime—recreation; to give them assurance that they are not going to starve in their old age; to give honest business a chance to go ahead and make a reasonable profit, and to give every one a chance to earn a living." (Applause).

It is in keeping with these conclusions that I wish to discuss my subject, which is the N.R.A. and the States.

The N.R.A. is dead, killed by the Supreme Court. When that august tribunal speaks, its word is the law of the land and must be accepted as such as long as free people desire the system of orderly liberty.

The skeleton of the N.R.A. was preserved,—not embalmed,—by yesterday's action of the Congress as a fact finding, research agency. The section of the Act permitting voluntary agreements was retained.

The text of the extension resolution is as follows:

"To extend until April 1, 1936, the provision of Title 1 of the National Industrial Recovery Act, and for other purposes.

"Resolved by the Senate and House of Representatives of the United States of America in Congress assembled.

"That Section 2-(C) of Title 1 of the National Industrial Recovery Act is amended by striking out at the expiration of two years after the date of enactment of this act and inserting in lieu thereof 'on April 1, 1936'.

"Section 2. All the provisions of Title 1 of such act delegating power to the President to approve or prescribe codes of fair competition, and providing for the enforcement of such codes are hereby repealed."

Loss of recognized gains made under the N.R.A. would be nothing short of tragic. They must be retained. These gains are:

1st. The spreading of available employment through shorter working hours.

2nd. The elimination of the sweat shop.

3rd. The prohibition of child labor.

4th. The elimination of dishonest trade practices.

5th. The setting of a subsistence wage as a minimum.

6th. The recognition of the right of labor to bargain collectively.

In addition to giving a new lease of life to the skeletonized N. R. A. the Congress can do three things.

First, regulate that which is undoubtedly interstate commerce; and

Second, enlarge the powers of the Federal Trade Commission to cover all forms of unfair competition and permit wider trade association agreements which seek to maintain improved standards.

Third, authorize interstate compacts which would provide for the orderly evolution of economic and social institutions. The Ashurst-Sommers Law passed by the 73rd Congress and signed by the President on June 6th, 1934, is a precedent and the authority for the develop-

ment of interstate compacts covering probation, parole and apprehension of criminals. It is thought that these compacts are constitutional and that the Congress may give its consent in advance to their formulation and adoption by the separate states.

For the present, at least, any other action to preserve the gains made under the N. R. A. is the responsibility of the states. Complete acceptance of such responsibility can only be by concerted action. State action can be in one or more of the following forms:

1st. State compacts covering economic and social institutions.

Witness the success of the compacts under which the International Bridge between Vermont and Canada and the Holland Tunnel between New York and New Jersey were built and operated. Consider also the proposed compacts, signed by all parties of the oil and gas industries in Chicago on May 3, 1935, as a supplement to or as a substitute for the federal regulations outlawed by the United States Supreme Court in the "Hot Oil" cases.

2nd. State minimum wage laws.

3rd. State Child Labor laws.

4th. State law prohibiting working conditions which are inimical to health.

5th. State industrial stabilization laws, fixing maximum hours and minimum wages for all classes of workers, with certain necessary exceptions and permitting arrangements which require open price filing.

Under such laws, codes would not be compulsory except where desired by a great majority, possibly ninety per cent of those engaged in the industry. The administrative machinery might be in the form of a code committee from the qualifying industries with a State Code Commission as the administrative body. Under such a plan, it would be possible for the State Commission to appoint a commissioner, not a member of the industry, to sit with the Code Committee with the power of veto. In the event of veto the Committee could appeal to the State Commission. For protection of the general public, interested members should be given the right to institute proceedings before the State Commission. Necessarily, interstate transactions would be exempt.

6th. A State Fair Practices Act, declaring unfair competition by any person, firm or corporation in the manufacture and-or sale of commodities by unfair trade

practices, wages, hours or prices, to be unlawful and providing that any industry by a large majority, say ninety per cent of its units, may create a committee of the industry to find, determine and publish what trade practices, wages, hours and prices are unfair, and when so determined and published such findings shall be prima facie evidence of their truth in any court of the State. Such an Act would provide that any person, firm or corporation guilty of such unfair competition shall be guilty of a misdemeanor and may be restrained by injunctive process.

These suggestions are submitted in order to stimulate discussion by this conference of the possibility and desirability of concerted State action to bringing about economic rehabilitation and the improvement of our social order. The States have the power and can exercise it without destroying their birthright. Government is not in and of itself something. It is for something. This is the time for action, the time to do our part. (Applause).

GOVERNOR NICE: Gentlemen, the next subject is so important, and so tied in with the subject we have just heard discussed, it might probably be better to suspend the round table discussion until we have heard the other discussion. What is your pleasure in that regard? Shall we hear the next speaker, or shall we enter into a battle royal over that which we have just heard? (There were calls for the next speaker).

Last year I had a rendezvous with the next speaker. When the time came for us to meet he was hunting bear, and I was hunting votes, and neither of us met. I met him last night. He is a charming personality, possesses the courage of his convictions, and I feel absolutely confident will entertain you in a most pleasing and constructive way. We will now hear an address on the subject of "Arbitrary Wage Scales" by the Honorable Eugene Talmadge, Governor of Georgia. (Applause).

GOVERNOR TALMADGE: Mr. President, Governors of the Sovereign States of the Union, and my Fellow Americans: I think that Governor Nice made my speech, and it sounded very much to me like he copied it from the speeches that the candidate for President made in 1932 on the Democratic ticket. (Applause).

It is, indeed, a pleasure to be here with you. I missed the other two conferences, and I won't get to attend but one more, but I will certainly be there.

I don't think that Governor Nice introduced me quite fully enough a while ago; I want to introduce myself a little more.

About three weeks ago we had a commencement out at Oglethorpe University. Doctor Jacobs had me over there to say a few words, and he introduced me as the last Jeffersonian Democrat, except himself. He said he was one. And pretty soon Congressman O'Day was on the program, the Lady Congressman from New York. Congressman O'Day says "I am a Jeffersonian Democrat too." And one of the other speakers claimed that honor, and finally Doctor Jacobs got around to where he wanted me to say something else to break up the meeting. I told him I was very proud to see our party growing so fast. We found four Jeffersonian Democrats there at that meeting. And I wanted to tell them about a fifth one I heard of when I was up in the New England states a few weeks ago. I met one of those New England Yankees, and he says, "Talmadge, Christopher Columbus was the first Democrat." I says, "How do you get that?" He says, "Well, he started off on a wild journey, and he didn't know where he was going; and after he got there, he didn't know where he was; and when he came back home he couldn't tell where he had been." (Applause).

My countrymen, this country has seen hard times, and panics, and depressions several times in its history. They automatically come with the turn of years. The Constitution has protected us in all of those panics, and hard times, and depressions, and we have worked out of them by staying within the Constitution, and after we worked out of them we were better off, like it helps private individuals or families sometimes to have to go back to hard work and take stock.

In 1932, the candidate for President on the Democratic ticket advocated in speeches from one state in this Union to the other that what we wanted was experimentation in Government; to try something, and if it didn't work to abolish it and try something else. All of us remember that. At the same time that he was advocating that, he advocated to this country, and the first plank in our Democratic platform was—the first step to recovery was—to reduce the federal expenditure, which was then \$3,000,000,000, to reduce it twenty-five per cent, and the Democratic Platform called on the several states of the Union, our Democratic friends, to follow suit and reduce the state cost of government proportionately. Not only that. That same candidate on the Democratic ticket said that reduction in taxes is the only way to encourage private industry, to bring back recovery in this country; and speaking at Pittsburgh, in October of 1932, our same Democratic candidate for President says:

"Right after my nomination in Chicago I conceived two plans." I want to tell you what they are. One was, that before I appoint any man on the Cabinet he would have to pledge absolute loyalty to the Democratic Platform. The second was that he would have to pledge absolute loyalty to the economy plank in the department of government that he was to preside over.

Now, taking those two thoughts together, the only thing that I can get out of our last contest for President in the United States was that the experimentations in government that were advocated and promised meant experiment in cutting the cost of government down, in elimination, in his own words, of boards and bureaus at central points in Washington to furnish rules and regulations to govern people thousands of miles away. And at that time that same brilliant candidate said this: "That there are no such men with superior wisdom to gather and furnish rules and regulations with the effect of law to control wages, to control hours of work, and to control even the private conduct of our citizens." And, thinking that history will repeat itself, I don't think there is any danger of any appearing on the horizon in any future years.

But, what happened? We were due for a natural recovery in 1933. We had been in the slough of despondency and discouragement for two or three years. Most all of us had made up our minds to go back to work. Industry was waiting and hoping and pleading for regulations to cease, so it could reach out and invest private money in products and jobs for people.

But let's see what happened. Instead of the \$3,000,000,000 annual cost of the Federal Government being reduced, it was immediately increased; and every day we read in the papers that there was some new board or bureau created in Washington to supervise business, to provide codes for supervising business, and, of course, it brought back recovery in Washington, D. C., in a hurry; the hotels were crowded, the cabs were crowded, and every train that went up there—we thought the trains were having a hard time, but enroute to Washington you had to phone in advance to get your sleeper. Why? Simply because business in this country wanted to send people up there and see how its business was going to be affected; they were maintaining a lobby there at a cost of hundreds of thousands of dollars, and it was absolutely essential that they do it.

There is the N. R. A. and the W. R. A. in Georgia, and I want to tell you that I headed the procession when we

celebrated it. I led the procession in Atlanta, Georgia, on a beautiful charging steed, which started away out Peachtree Street, and we rode down Peachtree Street to Mitchell Street. I was on that horse, you know, feeling great and big. Rode around by the Capitol and back to the City Hall. But I sort of felt a little funny too. I began to think, is this fixing of wages, is that going to say all sweepers are worth the same thing, that you pay them all the same? And I remembered back that when I worked that people had some sweepers that were worth more than others, and if you paid them all the same thing you just naturally stopped that ambition of people to excel in the work. But I went on whistling, hoping for the best, until I began to see people all around there, getting letters from people that ran saw mills in Georgia, telling me that they were putting it up to them to pay about two dollars and fifty cents a day for the laborers, and going to make them charge \$35.00 a thousand for the lumber, telling me, "We can't get that price for it; and not only that, the Government is paying less; the Government don't obey it; they bought it at less than the Code prices themselves." And they would ask me what to do. At first I would pass the letters around; I would send them over to the Attorney General, or some one else to answer them, sort of passing the buck, until it became so general, and different ones telling me, "If I can't go ahead I will have to shut down the business and lay these people off and they will have to go on the relief rolls; and if I charge more for my lumber the people buying it won't do the repairing", and says, "What must I do"? When I began to get four or five letters a week, I says, "Just sick the dogs on them when they come telling you about it, and go ahead and run your business, because making an honest living to provide work for people that want work is the most important thing I know about." And I happened to write that letter to a fellow down in Americus, Georgia. And about that time the Code Commission in Atlanta wrote him and told him to come up there and show cause why a whole lot of things should not be done to him; and he published the letter in the Americus Times Recorder, and published his answer. He says, "I haven't any business in Atlanta before that Code Commission." He says, "I am selling lumber at \$11.00 a thousand." He says, "I run here a farm, and between seasons I operate this mill; I am hiring farm boys and paying them \$1.75 a day; of course, higher for the man who ran the saw." He says. "The people who are buying that lumber are buying it to repair their barns and houses, and they can't pay any more." He says, "I am not coming to Atlanta; you all go ahead and do what you

please." And in about three weeks he got a letter they wrote him saying, "Please send in your Blue Eagle." He published that letter also, and wrote them back word he hadn't had any Blue Eagle, and he didn't want one. (Applause).

My countrymen, what happened in the saw mill business happened in all other lines. I happen to know that in the road building business in the State of Georgia, that where some of them were signing the Code and bidding under the Code, and making an affidavit that they were bidding under the Code, we had other contractors that refused to sign the Code and refused to bid under it; and you could look at the bids and see that those who were crying the loudest about the Blue Eagle were chiseling the most.

Any regulation of business—any of it—we object to it. We Governors object to them taking our sovereign rights; we object to them coming into the states to set up activities that we know are states' rights; we know that we do; and when they say it is our duty to appoint a committee, we object to them calling us up and telling us who to appoint. We object to that. Any private business objects to regulations, especially from college students and college professors, who cannot run the business to save their lives. (Applause).

And what happens when you put it on them? The inevitable and the natural happens—self-defense, protect yourself. That is exactly what happens. They are driven to what? In plain words, driven sometimes in their business to dishonesty. I want to say something else here, and I hope it echoes from Maine to California, American business has not been built upon dishonesty. (Applause).

The American business and industry that built this country and made it great was not founded upon incompetency and dishonesty. It was founded on just the reverse; and the only regulations it needed was the strict regulation under the Constitution of the United States, and no more. So, well, that's about enough for the N. R. A. That bird is dead. I believe Will Rogers said a sick chicken reached up and pulled the Blue Eagle down. Of course, they are trying to revive it. And I notice in the paper where they would have a publicity department out of it. That's Publicity Department Number 56 that they have in Washington to write propaganda. Out of whose money? Out of our money, that's whose. It is all right for me to have my publicity department, if I pay for it. But it is all wrong for different rules and regulations to

seize the necessity of keeping in vogue 56 publicity departments in Washington, D. C., to be paid for out of the taxpayers' money. And that little skeleton arrangement that our Senators just happen to take up laying down and let slip by will, in the long run, be a boomerang, because it is an effort to circumvent the Supreme Court and the Constitution of the United States, and the grateful, polite and sportsmanlike thing for them to have done when it was declared unconstitutional would have been to call off the hounds immediately.

What else have they got up there? I don't believe the Supreme Court meets until October, does it? Well, it is a pity. I wish those boys would go up into North Carolina, up there around—what are your resorts around there?

GOVERNOR EHRINGHAUS: There are so many, I can't recall them.

GOVERNOR TALMADGE: Where it is cool, and hold court. I want to see them get hold of that A. A. A. and processing tax. Of course, the boys in Washington, they got a little disturbed here about a month ago about the A. A. A., and they are trying to make the people believe that all of a sudden the farmers from Virginia clean across through Alabama and California, and all up into Nevada and Nebraska and Maine—that all of a sudden the farmers had one thought at one time, in May, to hike off or slip off to Washington and go to bragging on them up there about taxes. Of course, they didn't encourage that trip up there, and they didn't directly or indirectly pay any of the expenses for it, and the farmers, much contrary to their original custom, stopped at the Mayflower Hotel there.

If you people want to see how the Georgia farmers are on the A. A. A. and processing tax, if you will come to Canton, Georgia, on the Fourth of July, we will show you something. If you would abolish that four and a quarter cents processing tax on cotton tomorrow, you would see cotton bringing twenty cents a pound this fall. Let me tell you something else, you house wives. You are paying about twenty-eight cents a pound for white side meat, aren't you. It is higher than that. And since Christmas the importations of the very thing that the A. A. A. destroyed in this country, destroyed cotton, cotton seed, wheat, lard, cooking oil, destroyed hogs, destroyed cows, destroyed sheep and goats, by the millions, and since Christmas this year—the Governors are just as familiar with it as I am—if it hadn't been for importations from foreign countries of those same products, we would have

faced a famine in America. (Applause). And yet they tell us in Washington it is our duty and theirs to educate the American people that we have not wastefully destroyed food in any form. Imported cotton from Japan, and cotton goods, corn from Argentine and Brazil, and every warehouse in Atlanta is filled with oats from Argentine; butter from Poland, barley from Czechoslovakia, importations of the very things we destroyed—and wheat from Canada. Last week Mr. Abrams, of the Atlanta Flour & Milling Company, came into my office and told me—he says, “Talmadge, we are getting Canadian wheat laid down in Atlanta for ninety-seven cents a bushel.” Some of the farmers have been raising wheat commercially; it is now ready to sell. I says, “How is that? I thought they had a forty-two cents duty?” He says, “No; that was suspended by the Secretary of Agriculture on some trade agreement.” I says, “What about the thirty cents processing tax on wheat they are charging for it in Georgia?” I have got some stored there on the Mansion grounds in Atlanta. And I asked him what about the processing tax on wheat. He says, “That has been suspended too on Canadian wheat.” And he says, “Talmadge, there is something else about this Canadian wheat; it carries a privilege of milling in transit and we can mill that wheat and ship it to Jacksonville, or Birmingham, or other places, at one-fourth of the freight cost we get on Georgia wheat.” There is your A.A.A.

That T.V.A.—I don't know what you think about that. The government cannot run business. The simple reason it can't is this: Suppose I was having to run the T.V.A.—politicians like us—and my good friend McAlister had a son employed on it and proving that he wasn't any good, and wasn't competent, I just couldn't fire him. There is your Government in business, and your politicians running business.

Let me tell you something else. Any government-owned business won't pay to you that state tax, and that county tax, and that municipality tax, that it takes to run your schools, build your roads, and keep up your state. Government in business, after all, pampers weaklings and crooks. What do we want? What is our Constitution? Our Constitution means only for the government to be a referee and an umpire. What would happen this afternoon if you had a ball game out here and the umpire would go to coaching the base-runners? You know what would happen. Pop bottles would cover the grounds, and you would hear the siren coming with the ambulance to take him away. (Laughter).

Do you want recovery in this country? If you want recovery, go back to the principles of Jeffersonian Democracy; go back to the Platform of 1932 at Chicago; cut that \$3,000,000,000—now it is eight and a half billion dollars, the cost of our Federal Government now; instead of coming down twenty-five per cent from three billion it went up to eight and a half billion. If you want recovery back in this country, cut the expense of your Federal Government down, in the terms of the platform at Chicago. Georgia followed that platform. The State of Georgia cut her tax over twenty-five per cent, and it paid up debts while it was going on too. Give private industry a chance. They are scared white; they are bleeding; they are not going to reach out; they are doing business by the day. Cut the red tape and give them a chance. This country is not made up of canary birds and parrots; we are not that kind of stock. Only canaries and parrots can live today in a cage. You can gild it up and make it gold, and offer them all the best feed, but only canaries and parrots can live in it. What is our emblem? What is the emblem of this country? What kind of bird is that? It is an Eagle; but not the "Blue Eagle." Give our "bird," American industry, a chance; take him out of that cage; strike his bonds; cut down taxes. The way to keep business interested is not to regulate it too much. You will drive it to dishonesty if you do. Go back to your Constitution and the principles of Jeffersonian Democracy and we will have a recovery; and we will keep this country great and strong; and we will defy any communistic doctrine to come in here. Talk about working less. I believe in working more. It is not work that hurts people; it is the thoughts of it. That is what hurts them. The way to keep them from thinking about it is to let them go to work.

Let me tell you something. Let's guarantee collective bargaining. I glory in the principle. But let me tell you something else. I glory in guaranteeing a man's inalienable right to work, uninterfered with and unintimidated by anybody. (Applause). They have a right to bargain collectively, it is true; it is a glorious right, and one that protects them. They have a right to strike too; but that means quit and leave. After they strike they haven't got the right to stay around there and keep people from working who want to work. (Applause).

Those are the doctrines that will bring us back to recovery. Let wages be fixed by the man who hires them. If they are not satisfactory, they will go off and find them another job.

I am not a pessimist; I am not an alarmist. We have had a spasm because we were afraid. But the spasm is over, and the real American people are going to rise up and assert themselves next year; and they are going to re-write the platform that was written in Chicago; they are going to re-write it and put men out to carry it through. (Applause).

GOVERNOR NICE: Governor Talmadge, I am sure we all enjoyed your contribution. I would like to come to Atlanta but I am not physically formed to follow you up Peachtree Street on a horse.

We will now be led in a round table discussion by the Honorable Olin D. Johnston, Governor of South Carolina, and it is fervently hoped that the gentleman in the course of his journey will pause long enough to put the question to the Governor of North Carolina. (Applause).

GOVERNOR OLIN D. JOHNSTON: Mr. Chairman, fellow Governors, ladies and gentlemen, listening to the speeches that have gone before reminds me of the fact that probably our minds are very short. If I recall correctly, in March 1933, as I saw the picture thrown upon the screen at that time, I saw some twelve or thirteen million people out of employment. I saw at that time manufacturers and corporations throughout not only the southland but throughout this nation of ours, not in bewilderment, but, friends, I saw them stopping the wheels of progress, stopping the cotton mills and machinery that had been running in previous years.

Looking back at the statistics in 1932 and 1933, something that should be a guiding star to us all, in my state I find that the manufacturers in South Carolina sold only \$33,000,000.00 worth of their goods in 1932. In 1933 I find that they sold \$167,000,000.00 worth of their goods. (Applause).

Looking on the other end of the line I find that in 1933 there were 20,000 more employed in industry in South Carolina, not counting your relief and other activities of the federal government, 20,000 more employed, and you find in the envelopes \$9,000,000.00 more pay. Then as I read that and as I go back and look in 1931 and 1932 and back in 1929, I realize as most of the people here today, that something had to be done. If the N.R.A. had not been put into effect you know and I know what might have happened in these United States of ours. That is the question that has to be answered as I come to that this morning and as I think about this great question.

Yes, the Supreme Court of the United States has said that it is unconstitutional. I, too, am a Jeffersonian Democrat, and I believe in states' rights. I believe, as you will see from my written paper that I believe, that we can protect the rights of both the laborers and also the capitalists through the states of this nation of ours, without in any way offering any criticism to one of the greatest presidents that the United States has ever had. (Applause). If my memory serves me correctly, this is not the first time that an act of Congress has been declared unconstitutional. (Applause).

So, friends, coming down to the N.R.A., the question that is under discussion at this particular time I think is one of the most vital and far-reaching problems confronting our nation today, is the perpetuation of many of the important features of the National Recovery Act. I am confident that we are all agreed on this one point, with few exceptions. During the last two years we have made marked strides in our fight against the depression. Time will not permit, and I do not feel it necessary, to enumerate the many advantages that have accrued from national legislation which set forth minimum wages and maximum hours of labor, combining into one big drive several important elements necessary for the rehabilitation of business and a return of prosperity, which we heard so much about being just around the corner.

It is generally agreed that the leadership of President Roosevelt in this connection has greatly accelerated the flow of commerce by increasing gainful employment under favorable working conditions, and by enhancing the purchasing power of our laboring people. In the sincere hope that we might preserve the amount we have gained, along humanitarian as well as economic frontiers, I addressed a letter to the governors of the forty-eight states asking for advice and co-operation on a program intended to bring about a compact between the states to assure retention of the fundamental principles which were embraced in this legislation. The replies received indicate a deep interest in this timely subject. I appreciate the letters that have come to my office conveying not only interest, but a willingness to co-operate in a course of unified action. I know of no better time for earnest consideration of this matter than today, when you distinguished leaders are gathered here in this annual conference. It is my hope that out of this conference we will be able to evolve a plan under which the chief executives of the states may, if they so desire, call for volunteer signatures from patriotic citizens in every line of business who believe that the economic

security of America and the stimulation of business should be protected in the following manner:

1. Complete elimination by the states of all child labor abuses, together with abandonment of sweat shops in all industries.

2. The encouragement of harmonious relationship between capital and labor by the preservation of the minimum wage and maximum hours provisions of the National Recovery Act, which will increase employment and materially help the buying power of our people.

3. The achievement of these objectives through concerted action on the part of the states, without any change in the constitution of the United States.

Let me say as I pass along that we have acts that have been interpreted by our Supreme Court of the United States, like the Webb-Kenyon Act, which in a great way will help us to enforce this compact if the states see fit to enter into it.

I share the belief that this is a problem that the states should handle. The wisdom of a constitutional amendment may rightfully be challenged on a number of grounds. In the first place, we should preserve the rights of the individual states. I am convinced this is a sound doctrine. Secondly, those who might favor a change in the constitution must recognize the tedious process involved, and the long delay incident to the passage of such amendments. Serious complications could easily develop, impairing the good that has been accomplished thus far, if we allow such a long period to intervene. Action by the states is preferable. The federal constitution, in my humble opinion, will assist and help the states, but I am one, and I think the quicker the governors of the various states of this union let the public know that we believe in states' rights and we do not want to be interfered with any further in this particular field than the constitution will allow us at the present time, I think the better it will be for our nation at large. (Applause).

I believe we will find there is ample patriotism in America to carry forward a program by the states that will tend to minimize unemployment, pay living wages to labor under favorable working conditions, and preserve the buying power of the masses of our citizenship, without which there can be no sustained volume of retail business to bring about and maintain lasting prosperity. It has been necessary to depend upon the patriotism of our people to carry forward the N.R.A. to a large extent.

Of course, we shall always have a few unscrupulous chisellers who evaded the provisions of the federal N.R.A. and you are going to find some of them that will try to chisel even though we have compacts within the state. That is nothing but human. You find that in every line of activity. Public sentiment was the chief factor in securing compliance under the national legislation, and it will be the active influence in carrying forward the spirit of these progressive ideals by the states. I do not believe that we will experience any serious difficulty on this front. And, friends, I am speaking as much from the inside as from the out. Naturally I would probably be one that you would expect to not get proper co-operation from capital in my state, but I don't think that way. I was enthused by the amount of letters that I received within my particular state from the various lines of activity, pledging that they would carry on to the letter the N.R.A. that the federal government had been carrying on.

In my humble judgment, one of the greatest tragedies that could come to America now would be to return to the old work and wage methods that existed prior to the Roosevelt administration. (Applause). Industry does not want this to happen. Labor deserves more consideration than to ever permit a return to the old conditions, and the spirit of a quickened industry wants us as states to carry on.

Frankly, I do not believe that American business men and industrial leaders are going to sacrifice the progress already made. It is to the mutual advantage of the two major principals, capital and labor, that fair competition be reasonably guaranteed through minimum wages and maximum hours of labor. What would happen if some of the states would go back and run sixty hours instead of forty? What would happen if some of the states would go back to running and requiring labor to run fifty-five and sixty hours? Turn that over in your mind and see how much more unemployment we would have than we have today. Just look back and see what the wage scale was, and we have a problem before us, fellow governors. The people as a whole are directly interested and vitally affected by the outcome of the problem we are now considering.

I trust that all of the governors will give free expression to their views on this question. It is the first opportunity so large a number of executives have had to exchange views and ideas on this problem, and for this reason I am confident that much good will come out of

today's session. Here we have a real opportunity for rendering a splendid public service to our country. What will the answer be? (Applause).

GOVERNOR NICE: We all appreciate your very constructive contribution. Somebody has said that blessed is the man who has nothing to say and can not be forced to say it. That rule does not hold good in so far as Governors are concerned. The meeting is now statewide, and those representing the states are permitted to add to the gaiety of notions. Do any of you gentlemen care to discuss these questions?

GOVERNOR BIBB GRAVES: Mr. Chairman, the angels dare not tread, so I will rush in. The thought impressed on me in the discussion thus far, conditions today and thirty months ago, suggested the old saying that "When the devil was sick, the devil a monkey would be; when the devil got well, a hell of a monkey was he." (Laughter).

Friends, I am a middle-of-the-road American. I stand for the constitution, for order and for law. My constitution is not a dead ideal. I thank God America has got a living constitution that lives with and in its people. We have repeatedly demonstrated that fact. In my personal opinion there needs to be no change in our present constitution. But something has been said of our party platform. Let me say right briefly, that whole platform is founded on its last plank, a short one-sentence declaration, the foundation of it all, in this one sentence, is summed up, the program of today. "We advocate the continuous responsibility of government for human welfare, especially the protection of children." That is the foundation on which it is all builded, and upon the manner in which the government meets that challenge of today, its responsibility for human welfare, upon how we meet that challenge, in my humble opinion, hangs the hope of America and the hope of humanity. There is plenty of power in government, both national and state.

Let me call your attention to one other thing, Brother Governors. There is a doctrine as old as laid down by the Master in his parable of the talents, that if a power is not used it is lost and taken away. There has been a continuous decrease of state powers because, forsooth, the states have not used them, and the people wanted government. If a government does not measure up to its responsibility by the exercise of its powers under God's law, the powers will not be there. Just as the distinguished speaker said, that had nothing been done

thirty months ago, where would we be today? (Applause).

The powers must be exercised. Shall they be exercised by the ordinary accepted custodians of those powers? If they do not, they will be exercised by the mobs, by the rabble, or by the red or something. They are going to be exercised. It is God's and nature's law.

Now, I do not think that the fundamental principles in the constitution are in anywise short of the needs of the hour. The indestructible union of indestructible states is the fundamental of Americanism today as when first declared. I believe that it is entirely competent for the Congress to enlarge, within the necessary scope, its own powers over interstate commerce by proper definitions of interstate commerce. I will illustrate to you laymen, lawyers and all. The Congress passed the Volstead Law, when the Eighteenth Amendment was the will of the United States—forty-seven or forty-eight states had so decreed—that one-half of one per cent was intoxicating. It was the law. It was Congress' definition of "intoxication." Now, they could not have said whiskey or pure alcohol was not intoxicating, but when they said one-half of one per cent is intoxicating, the courts upheld it. Not so long ago the Congress came along and again said 3.2 per cent is not intoxicating, a new and different definition of that which is in the twilight zone. It was the law which was made. Congress can define interstate commerce, not only limiting it to goods in transit, but to the manufacture and transportation and disposition within clearly outlined fields. The congress can do, as is said by the one citing the Webb-Kenyon Law, the congress can do much under its present powers to keep us in the middle of the road, and just as has been so ably said, the power is in the hands of those people who have selected us as their chief executives, to use our powers a supplement to the other powers to meet the duties of this hour. (Applause).

But this is no time to deplore and to shake confidence. There has been so much said of the first things done thirty months ago. To me the great need was a restoration of some confidence in the people of America. The lack of faith and confidence was the greatest weakness of that situation. When militant Americanism in the hands of what I say is the most potent tribunal of the people that has ever been in high places, when that militant Americanism restored confidence in those people, that God was in his Heaven and the government reigned in Washington, things began to come back again.

So here ten days ago when the boat scraped the bottom a little bit—you all are going to understand that when you come down here in this shallow water fishing with me, every one of you are going to first hear the boat scrape bottom, and some of you are going to want to jump out. But I am going to tell you to sit steady in the boat, you are not in any danger. Don't give the buck ague to the other fellows as ignorant as you are. (Laughter). So without any personal reference, because there were a great many, when I got back to my office—I had been at a commencement, too—I found a wheelbarrow full of telegrams from every section and every class and condition in America, joining in a request of all the governors to call a meeting of the governors' conference in the morning before breakfast, everything is gone to "pot."

I did not answer all those telegrams. I answered those I thought worth while. I sent a letter to every Governor. The general purport of it was this: There is no time for the buck ague. There is only one force in America that can produce a panic. I may over-estimate the power of the government, but I believe that if every governor in America were to send up an S.O.S., that the whole thing has gone to "pot," and we have got to meet in the morning or the country is gone, it would be the worst thing that the governors of this nation could do. And I sent that letter saying, "Let the thing take its regular course at the regular meeting. There will be ample time, and there was nothing alarming."

It was the fundamental law of the land. Some of us thought it before. All of us know it now, and no true American questions it, but they are going to abide by it in the utmost good faith. So it comes to this, gentlemen. The things that are good, we can hold. There is power in the government to meet its responsibility for human welfare. If that be not done, the government will lose those powers. That is God's law. You can not beat it.

Now, friends, in my opinion the Congress has got to do some things. In fact the Congress has got to validate them. Maybe they can do it before hand, any agreements we make the one with the other. This is a nation of states, and states of a nation. The states can not do it all themselves, and we have been shown that the government can not do it all itself. Now, my thought is along the general lines of one of the recent discussions here. Those things that must be preserved, those things like this right to exist, those things that make for the preservation of human welfare, that if we will have this

interchange of opinion after this general discussion, let me suggest that we take a good deal of time in an executive session of the governors. I have not been a member of this organization in a great many years, but we used to have them on things where all of us wanted to shell the corn down, have an executive session and let every man suggest what he thinks ought to be done; and in that way we can get a meeting of the minds of those here present and submit it to those not here present, together with maybe some committee that might formulate those thoughts or those plans, and can draft them in the shape they should be after they are outlined, and take it up with the powers that be in the nation. I am inclined to think that it is no great difficulty. This is more a matter of the meeting of the minds of government ideals that can be accomplished in that way, and I believe that we are not in any danger anywhere because the boat scraped the bottom one time. There is still safety for us all if we will just use the powers that are in our hands. (Great applause).

GOVERNOR NICE: Any other Governor here who desires to discuss this matter? How about you, Governor Dave? If I possessed the manly pulchritude you possess, I wouldn't want to be Governor. Come up here and tell us something about that. Governor Sholtz, of Florida.

GOVERNOR SHOLTZ: Mr. Chairman: I have listened with a great deal of interest to the talks that have been made here this morning. I am very conscious of the fact that we are living in a country where we have a great deal of politics, and where men, by reason of the fact that they are interested in politics, must get it out of their system every so often.

However, I am not tremendously alarmed about conditions, gentlemen. I think my state has had as much of a headache as any state in the Union. Back in 1926 our state suffered one of its greatest calamities, due to the thing we are all arguing about, money. And yet, by reason of the ordinary intelligence of the people—and I still have great confidence in the people, Governors notwithstanding—in a period of eight years my state has come back to where it is on a sound basis. We “pay-as-you-go”; we live within our income. Personally, because of my admiration for a great leader, a man who may be much ahead of his time, a man who may not be clearly understood, but who history will show and prove was a great leader in a critical time—by reason of all of that, I am convinced that our country is basically sound.

Being just a youngster in politics, and possibly thoroughly cured of it, I am very conscious of one thing this morning as we sit around this room. You know, for one hundred and fifty-nine years our country has been in existence; and it has not been in existence for that period of time to be destroyed overnight. One hundred and fifty-nine years of governmental existence in America has proven that the people themselves are the best qualified to handle the situation, even though the instrumentalities of governors or presidents may not for the moment satisfy the public mind.

We are living in a rather peculiar time. We have 1,600,000 people in my state, and in the two and a half years that I have been Governor I have sometimes thought that there were 1,600,000 different ideas as to how the government ought to be run; and the same thing applies to this great country of ours. We have 120 to 130 million people, and because we are human the 130 million people could have different ideas about how the thing ought to be run. But, you know the sun has been coming up every day since the existence of this world, and it has rained ever so often, and is going to continue to rain, as the sun is going to continue to come up every day in the history of the world. I am also conscious of the fact that our farmers will continue to go out and plant, and mother nature will let these things mature into fruits, or crops, or flowers, or the things that nature does. So, I am not tremendously alarmed that because for the moment some of us may suffer from political ambitions, some of us may have different ideas and different views. After all, the history of our country shows that we arrive at things by compromise. No one person here might satisfy every other person; that is the whole idea, or the only idea. I do know one thing, that two years ago conditions in my state were not as healthy. The only way I am able to tell is the fact that last year Florida enjoyed one of the greatest periods of progress in its history. Now, I am willing to give to those in authority a great deal of credit for that condition. I am one of those who was rather fearfully concerned two years ago about the progress of our country. We are all striving for worth while things. After all, I am no different from any other human being. I sympathize with that man who sits at Washington trying his dead level best. He is not perfect any more than we are—but trying his dead level best to help a distressed people; and I think it is the duty of every American citizen, regardless of whether he is Democrat or Republican, to uphold his hands so long as he is trying to help the people.

In a desire to help the people of my state, I went with a group of business men from the City of Miami to the Bahamas about a year and a half ago. I tell you, those English people—and I respect them because they respect their government. I say every man and woman has a right to criticise, so long as the criticism is constructive—just so long as they say things that are helpful; but to stand on the street corners and tear things down, to my mind, is the most dangerous thing we have in America.

Over there on the other side of the water, by reason of many years of existence of a government, they think of their King as a symbol of government, and they respect it; and I was much delighted when I was officially entertained to notice that you never saw a meal at any home that I was in over there that during the course of the dinner, or at the close, that they did not stand up and drink a toast to the good health of the King of England. Can you imagine in this country of ours that 130 million people, some of them Democrats, some Republicans, and some something else—can you imagine in our country or government people at their meal standing up and drinking a toast to the good health of the President of the United States? I think that we people in America love and respect our government; I think we enjoy its priceless privileges. I think we are living in such a fast age and are so materially-minded that we do not stop to appreciate the way this country has been built. It has been built upon sacrifices, and it has been built by reason of the fact that our fathers and our mothers helped make this country, and they did not have the things that you and I have. You Governors who are here this morning, every one of you, came in comfortable Pullmans and came in mighty nice cars, and lots of you have chauffeurs, and you are stopping at a fine hotel; you have electric lights, and you have radios, and telephones, and all these modern conveniences. We people in America are so self-satisfied that we do not appreciate, and do not stop to thank Almighty God every moment of the day for the things we have; and because there is a human being in Washington—sure I do not agree with everything he does, none of us do, and I don't agree with you, and you wouldn't with me—but so long as you put a man in high position, and so long as he stays there, he is entitled to the confidence, support and respect of the people of the country. (Applause).

Now, I do not come from an industrial state; I come from a largely agricultural state. So far as the N.R.A. is concerned, we haven't come in so much intimate contact

with it; but if the President of the United States in his wisdom and the Congress we sent there—they are our representatives and ambassadors in Washington—want to go through and do the things, and we sent them there to do those things in the interest of the people, aren't they entitled to our support and our confidence? I say, I grant to every man the right to his opinion. I appreciate the fact that we are all but human. But down deep inside of us is the same emotion in every man and woman's heart. I believe in giving the under-dog a chance. I believe there are lots of people in this country who want the right to have a home; lots of them who want the right to have an automobile; lots of them who want the right to have three square meals every day for their families and children; and I want to tell you if there was ever a time in the history of this country when there ought to be confidence and support, this is the time in the history of America.

Yet, after all is said and done, you know we are not so tremendously worried about an alarmed world. I think we have far more dangers in this country that are of another nature. We are having too many people running around this country tearing down respect; and when we stand on the street corners we are helping other forces that want to destroy this government in which we live. (Applause).

I am proud of the fact that I can live in the greatest country in the world. I am as proud of my right to be a citizen of this country as I know how to be; and I thank God every day, believe it or not, that I am entitled to live in this enlightened country, where every man has a right to his existence. I am one of those people who has been raised as a conservative. I come from a type of family in this country that has been prosperous at times. There ought to be enough human understanding in my heart that I don't want any man to have to work for fifty cents or a dollar a day. I don't want any man to live on a dollar a day when living costs are far more. I believe in giving every man and woman a chance; and if the N.R.A. is the way to give it, let us be human enough, and intelligent enough, and American enough to stand behind it. (Applause).

GOVERNOR NICE: Thank you very much, Governor Dave. It is always a pleasure to hear you, and more of a delight to see you.

Ladies and Gentlemen, we are fortunate in having with us this morning a representative of the National State Compacts for Labor. This lady is the personal

representative of Governor Bridges, of New Hampshire, and personally I have a very warm spot in my heart for Governor Bridges, because he, too, was one of the few brands that were plucked from the burning.

Miss Ethel Johnston is welcome because of her great ability; she is doubly welcome because she is the personal representative of one of our colleagues. Miss Johnston, will you be kind enough to come forward?

MISS ETHEL JOHNSTON: It is most generous of the Governors' Conference to accept a representative from the Interstate Conference on Labor Compacts, and to give a place on this program to the discussion of interstate compacts as applied to labor legislation. I understand that is an exception to your general rule to accept someone from outside your membership, and I want to thank you on behalf of the Interstate Conference for the courtesy.

I regret that it was not possible for the Chairman of the Interstate Conference, Senator Henry Parkman, Jr., of Massachusetts, to be present himself to discuss this subject, or for Governor Bridges, of New Hampshire, who is interested in the subject of Interstate Compacts, as evidenced by the message which he has sent to your gathering, to come himself, or for former Governor Winant, who was a leader or pioneer in the Compact movement, to be present to present the subject. But the importance of the subject, its timeliness, and the urgency for action, compensate for the lack of these distinguished exponents.

The decision of the Supreme Court in the Schechter Case, invalidating as it does the basic labor standards established under the N.R.A. Codes, is a challenge to the states. It is a challenge to their genius and their ability to co-operate in their own interest and for the common good.

One of the results of this momentous decision has been to direct their attention throughout the country upon the interstate compact as a way out of a dilemma. It has gained new impetus to the movement to apply the compact method to the broad field of labor and social welfare legislation.

For the benefit of those who may not have in mind the nature and purpose of interstate compacts and the history of their development, it may be explained that an interstate compact is a formal agreement between two or more states on a matter of mutual concern which becomes effective when ratified by the legislatures of the

states parties to it and approved by the Congress of the United States.

Compacts have been employed between the states for many years in settling boundary disputes and in regulating such matters as the use of interstate bridges and waterways. They go back to colonial and pre-colonial days. The first compact in the history of this country was that signed in the cabin of the Mayflower in 1620. Our national life began about one hundred and forty-seven years ago with a famous compact known as the Constitution of the United States.

Among well-known compacts of recent years, the following may be mentioned: The compact between New York, Connecticut and New Jersey with reference to the port of New York; the Colorado River compact; and the compact negotiated within the past year between the oil-producing states of the Southwest.

In the past the compact has been utilized largely in dealing with matters of a physical nature. More recently it is being applied to such subjects as taxation, crime control, interstate policies, the regulation of busses.

Application of the compact idea to labor legislation was suggested by former Governor Winant, who saw in it an agency for promoting final action between the states on social and industrial problems. He presented the suggestion at the Eastern Interstate Conference on labor legislation held in Boston, in January, 1931, and was appointed chairman of a committee to look into the matter.

Shortly after that Senator Parkman and Representative Hester of Massachusetts introduced a resolution in the Massachusetts Legislature providing for the creation of a commission on interstate compacts affecting labor and industries, with authority to negotiate with similar commissions in other states, to bring about uniformity in the laws of the states. Senator Parkman was appointed chairman of the commission so appointed, or created.

As a result of the efforts of Senator Parkman and Governor Winant the Interstate Conference on Labor Compacts was organized. Representatives of the Governors of seventeen states have participated in the deliberations of the Conference. At the meeting in Washington, D. C., on June 4th and 5th, fifteen states were represented, from as far west as Wisconsin and Iowa, as far south as Virginia and North Carolina, and as far east as Vermont and New Hampshire.

The work of the Interstate Conference has included draft of a compact on minimum wage legislation, which has been ratified by the legislatures of two states, and signed by the Governors of seven states, or the representatives of the Governors of seven states, and ratified by the legislatures of two states, Massachusetts and New Hampshire. This action on the part of New Hampshire, making the minimum wage compact effective, has hastened interest, as New Hampshire was the ninth and deciding state to ratify the Federal Constitution.

The Commission is also working at the present time on the hours of labor and child labor, and the object of the Interstate Conference is to promote the adoption of basic minimum standards of labor legislation between the states, and to secure joint action by the states to that end, to remove or minimize unfair differentials due to varying labor standards in the state laws, and to conserve the labor gains in such matters as prohibition of child labor, minimum wage and maximum hour labor regulations achieved under the N.R.A.

Those Codes set up certain minimum standards of labor regulations throughout the country. They brought about for the first time a basic uniformity, or approach to uniformity, in the labor regulations in the several states. As has been outlined to you this morning, with the breakdown of these Codes, these standards are threatened. We are returned to the chaotic confusion in the state laws that existed before the Codes. As Governor Bridges pointed out in his message, you will see there is the most astounding lack of uniformity in the laws of the states in matters affecting labor and industry.

There is wide variation in the laws regulating the employment of women, as the charts prepared by the Federal Women's Bureau show. I am sorry that there are not sufficient sets for all present; these have been placed in some of the chairs. The Bureau sent me on very short notice all they had available. There is also variation in the state laws concerning the employment of children, and there is variation in the general labor laws that apply to all employees, regardless of age or sex. This situation is not confined to any section of the country. States with fair standards and states with inadequate regulations stand side by side. States contiguous in territories and with similar industries have widely different laws regulating employees in those industries. Massachusetts restricts the employment of women in textile mills to nine hours in any one day and forty-eight hours in any one week. In the neighboring state of New

Hampshire women may work in the mills ten and a quarter hours a day, and fifty-four hours a week. The Codes in general established an eight hour day and a forty hour week.

Many national associations of employers since the Court's opinion on the N.R.A. have voluntarily agreed to maintain the labor standards fixed by the Codes. Such action is highly commendable. If, however, it is to be made effective, it must have legislative support. Otherwise, the small minority of employers who are not amenable to moral suasion will break down the standards. Legislative regulations are necessary for the protection of industry, as well as for the protection of the wage earner.

In this connection, I should like to submit for your consideration the possibilities offered by the interstate compacts on labor legislation, and more particularly with compacts dealing with such matters as child labor, hours and employment, and minimum wage legislation.

I should like to supplement the recommendations already made, and would therefore urge:

First: That each state send at least one delegate or representative to the next meeting of the Interstate Conference on Labor Compacts, which is to be held at Spring Lake, New Jersey, June 28th and 29th; and that such representative be authorized to take part in the action of the Conference. It is expected that a compact on child labor will be considered at that time. And it is possible that consideration may also be given to the compact on hours of employment.

In this connection, I should appreciate it very much if I could know by Saturday noon how many and which ones of the executives here plan to send a representative to Spring Lake, as the Chairman of the Conference, Senator Parkman, and the Chairman of the Program Committee, Mr. Brigham, are meeting in Boston tomorrow afternoon, and they have asked me to wire them. I hope that I can wire them one hundred per cent.

Second: Is the recommendation that the chief executives of these states which have not as yet appointed a commission on interstate compacts take up with their legislatures at the earliest possible opportunity the matter of creating such commissions, and that in the meantime they appoint interim commissions or representatives to negotiate with similar commissions and representatives in the other states.

It should be understood that these commissions are unpaid bodies. While it is highly desirable that they should have legislative sanction to give broader support and standing to their work, that is not legally required, for the functions of these commissions are purely advisory. They prepare minimum standards for labor legislation on matters of common concern to the states. These standards are submitted as recommendations to the state legislatures for their ratification, if the proposed standards meet with their approval.

It is the legislative body of each state that makes the final decision. There is thus a check upon unwise action. There is further check through the requirement for the consent of Congress. Although this consent has always been given, the fact that it is required affords protection against possibility of extra-legal or unconstitutional proceedings by the states.

It is desirable that the state commissions should be representative of the interests affected by labor legislation; that is, by management, labor and the public. It is also desirable that, if possible, they should include one or more members from each branch of the legislature. The vitally important consideration, however, is that the members of such commissions shall be the ablest and best qualified persons for the work; that they shall be individuals outstanding in their ability and in the public confidence they inspire, and in their broad grasp of the problems to be met by compact action.

For the benefit of those who may fear that the compact is slower, that compacts cannot be made effective within a reasonable time, attention should be called to the fact that in less than eighteen months from the organization of the Interstate Conference on Labor Compacts, a compact on minimum wage standards has been drafted, signed by the representatives of the Governors of seven states and ratified by the legislatures of the required number of states to make it effective, and that a resolution is now before Congress, which will unquestionably be adopted at the present session, giving congressional sanction to the compact, the first compact on labor legislation in the country.

The possibility of making compacts effective within a reasonable time is conditioned upon the effort directed to formulated agreements that are fair and practical and workable; and this, in turn, is contingent upon the type of commissioners appointed for this important work.

Negotiating compacts on matters for labor and industry presents difficulties, it is true. The magnitude and complexity of the problems presented, however, are far less stupendous than those which confronted the men who drafted the first great compact between the states, the Constitution of the United States.

It was because that drafting convention was made up of great men, because the states sent their best and ablest leaders, that it was possible to surmount the difficulties and work out an agreement which was made effective in less than a year from the time of the call of the convention and in less than six months from the date of the first ratification, an agreement which has endured for nearly a century and a half as the basis of our national government.

Great economic and social problems confront the states today; they are problems that extend beyond state boundaries. Our complex industrial system, our modern economic life, has outgrown state lines. Our industries are national or regional rather than statewide in their scope. The problems they create cannot adequately be met by individual state laws; nor can industry unaided, though with the best intentions in the world, effectually police itself. A small minority can defeat the wishes of the majority, as was demonstrated not so long ago by the collapse of the attempt on the part of the cotton textile industry to abolish night work in the mills.

The Supreme Court in its recent decision had made clear that the Federal Government does not under the Constitution have authority to regulate on a national scale activities conducted within the states. The states alone by independent action are powerless to do it.

Some have suggested an amendment to the Constitution to give to the national government the authority over activities within the states, which the Constitution now denies. There are many who would support such an amendment. There are others, however, who fear that such a change would threaten not only state rights but the very existence of the state governments; that it might even be the beginning of the end of constitutional government and individual liberty in this country.

This does not mean that these problems are without solution. There is provided within the Constitution of the United States a way by which the states, acting jointly and with the co-operation of the national government, can meet their common problems. This is through the sanction given in Section 10, Article 1, of the Constitution, for interstate compacts.

Are the states going to accept their responsibility? Are they going to co-operate in the solving of the common problems?

The question at issue is a larger one than the adjustment of the serious industrial and economic problems involved, vitally important as those are. It reaches to the heart of our system of government itself.

An opportunity is presented to the states to demonstrate whether they can by constitutional methods, through concerted action and with congressional sanction, meet these social and industrial problems of the present time. Those are not problems that one state can solve independently. Rather, they call for the fullest co-operation of all of the states for their solution. The situation presents a challenge to the states, a challenge to their capacity, their willingness, and their determination; and upon whether the challenge is met, and upon how it is met, may depend the future of our democratic form of government in this country. (Applause).

The following paper was sent to the Conference by Governor H. Styles Bridges, Governor of New Hampshire:

State Co-operation through Interstate Compacts.

Can the states meet the challenge of the Supreme Court decision? Can they, through joint action and with the support of the National Government, work out desired uniformity in labor legislation? I do not need to remind you that the recent decision of the United States Supreme Court invalidating the fair practice codes set up under the National Industrial Recovery Act threatens the labor standards established by these codes.

This is particularly serious in such matters as regulations prohibiting child labor and establishing minimum wages and maximum hours of employment. With the withdrawal of these regulations, there is left an amazing variety of State laws, widely different in their provisions and in their scope. There is an almost unbelievable lack of uniformity in the laws of the various states in matters affecting labor and industry.

Legal limitations upon the hours of labor of women range from eight to twelve hours a day and from 48 to 60 hours a week, while in a few states there are no legal limitations whatever. Night work regulations cover the employment of women during certain hours in certain occupations in some states and are entirely absent in

other states. There are sixteen states which have some form of minimum wage legislation. In the other states, there are no provisions of this nature. Child labor laws also vary to a marked degree in the ages and occupations covered and in the extent of protection afforded.

Such a situation is not in the interest of the working man and woman. It is not in the interest of the employer who wants to maintain fair wage and working conditions. And it is not in the interest of the general public. We would doubtless all agree that some nearer approach to uniformity than now exists in our State labor laws is desirable. This does not necessarily mean identity in legislation, but rather, greater harmony in our laws dealing with the same subjects. How can this goal be attained?

By its decision in the Schechter case, the Court made clear that the authority of the Federal government does not extend to activities purely intrastate in character. This does not mean, however, that such activities may not be regulated in the interest of the common welfare. Rather, it means that a different method of procedure is required.

It is recognized that the powers not expressly delegated to the Federal government are reserved to the states. I believe that the states acting together, with the sanction of the National Government, can meet these problems. I believe that the interstate compact or agreement between the states, which is made effective through Congressional approval, offers a way of dealing with the present situation.

The interstate compact is an agency for adjusting problems common to two or more states which none of the states concerned can meet by individual action and which are outside the sphere of Federal action or which are too specialized or too local for such action.

Interstate compacts have been employed by the states from the earliest days with regard to such matters as boundaries, bridges and the control of rivers and harbors contiguous to two or more states. Their utilization in the past has been largely in connection with matters of a physical nature.

The application of compacts to the subject of legislation has been recognized by eminent legal authority. And the possibility of such utilization of the compact method has been discussed at the conferences of the Commissioners on Uniform State Laws and at meetings of the American Bar Association.

It is only very recently, however, that attempts have been made to apply the compact theory to the broad field of labor and social welfare legislation. Virtually, the movement grew out of a conference of Governors held in Albany in January, 1931. This conference was called by President Roosevelt when Governor of New York State to consider joint action by the states to maintain and improve industrial and labor standards.

At a Conference of Governors held in Boston in October 1933, the Interstate Conference on Labor Compacts had its inception. This Conference is made up of commissioners and representatives of the Governors of a group of states interested in securing greater uniformity in the labor laws of the states and assuring more adequate standards of protection to wage earners. To date, some seventeen states, including Eastern, Southern and Midwestern states, have participated in the deliberations of the Conference. The first compact on labor legislation negotiated between the states is that dealing with minimum wage. This compact was signed by representatives of the Governors of seven states—Maine, New Hampshire, Massachusetts, Rhode Island, Connecticut, New York and Pennsylvania, on May 29, 1934, in Concord, New Hampshire. It is sometimes referred to as the "Compact of Concord."

This compact by its terms becomes effective when ratified by the legislatures of two of the signatory states and approved by Congress. The Massachusetts Legislature ratified this compact on June 30, 1934, and enacted the legislation called for by the compact. As our State Fair Wage Law meets the standards specified in the compact, no new legislation is required on the part of this State.

There is historic interest in this action as New Hampshire, which by its ratification makes effective the first interstate compact on labor legislation in the country, was also the State to make the Constitution of the United States effective.

The Interstate Conference on Labor Compacts is working at the present time on compacts on child labor and hours of employment. The program for early action; adopted by the Conference includes in addition to the subjects mentioned, minimum wage, child labor, hours of labor, night work and industrial homework. Its program for long-range action embraces unemployment insurance, workmen's compensation, regulation of fee-charging Employment Offices and provisions for industrial health and safety.

The interstate compact as applied to labor legislation has many valuable possibilities. It provides not only for direct agreement on common problems between two or more individual states, but suggests the future possibility of regional agreements between groups of states representing different sections of the country. One of the most promising features of the interstate compact is the opportunity afforded of bringing into closer relationship one with another, and of promoting greater harmony among the states, as well as serving as an agency for meeting mutual problems.

The collapse of the N.R.A. codes has given new impetus to the interstate compact movement. We are resolved that there shall be no return to the unregulated conditions of employment of the past—the sweatshop wages, child labor and excessive hours of employment for some with under-employment for others that characterized the early days of the depression. Many National trade associations have agreed voluntarily to preserve the labor provisions of the codes. That is admirable. State action, however, is required to support this effort and to make it uniformly effective.

Interstate compacts offer a way to conserve the basic labor gains with respect to minimum wage regulations, child labor and hours of employment under the Fair Practice codes. They afford a method for promoting greater uniformity in labor legislation between the states, for preventing unfair competition and establishing minimum standards of protection for labor—a way which is within the authority of the states and which is specifically provided for in the Constitution of the United States.

Last week the Interstate Conference on Labor Compacts met in Washington, D. C., at the invitation of the Secretary of Labor. They met to consider how interstate compacts may help in the present crisis. They have submitted recommendations to the Governors of all of the states in this connection. I should like to reenforce that action with the following recommendations:

1. That the Conference of Governors give consideration to the subject of interstate compacts and include this subject in the present and in subsequent programs;
2. That the Governor of each state appoint at least one representative to attend the next meeting of the Interstate Conference on Labor Compacts which is to be held in Spring Lake, New Jersey, on June 28th and 29th, such representative to be authorized to participate in the action of the Conference;

3. That the Governor of each state which has not as yet appointed a Commission on Interstate Compacts take up with the legislature the matter of the establishing of such a commission; and in the event that the legislature is not at present in session, that the Governor appoint an Interim Committee until such time as the legislature shall convene.

GOVERNOR NICE: Thank you very much, Miss Johnston. What is your wish, ladies and gentlemen? Shall the appetite further wait upon the intelligence, or shall we seek refreshments?

MR. GEORGE B. POWER: I want to remind the Governors who are here, and through them the others, of the trip planned for tomorrow along the coast, a lunch at Gulfport, and then the ride out into the harbor, starting from Gulfport. Many have indicated already that they expect to stay until Sunday. We would like very much to have you remain for that.

Now, about the banquet this evening. I wish you would do your part to be ready, so we may start at eight o'clock. We have a boat ride scheduled for the moonlight on the Gulf, and I am sure it is going to be enjoyable. We do not want the banquet to extend too late into the evening. I promise you now that there will be a minimum of oratory at the banquet this evening. (Applause).

Now, if any of you have any long speech in your system, take it out on one another here this afternoon. But there will be entertainment, and we hope and plan to get through with the banquet around ten o'clock, not later than ten-thirty, depending entirely on whether we can start at eight or whether we will have to wait until eight-thirty. It will be in the dining room of the hotel.

GOVERNOR SHOLTZ: Mr. Chairman, I move that as soon as all the major topics are out of the way that we go into an executive session and there in thirty minutes do more work than in two days.

GOVERNOR JOHNSTON: I second the motion.

GOVERNOR NICE: It is moved and seconded that we go into executive session during the afternoon session. Is that correct?

GOVERNOR SHOLTZ: Right after the afternoon session.

GOVERNOR NICE: All in favor of the motion will say AYE; opposed NO. The motion is carried.

Now, will you listen to a statement from Governor Hardee?

GOVERNOR HARDEE: Looking over your program, you will notice that Governor Fitzgerald's address came on the program for yesterday afternoon. It was impossible for him to be here at that time, and he will discuss the subject of "Operation of State under Budget, Pay as you Go Basis," and he will speak immediately upon our assembling following adjournment. Let's meet promptly at three o'clock.

GOVERNOR NICE: It is three o'clock on the program. What time is it now?

GOVERNOR HARDEE: It is a quarter to one.

GOVERNOR NICE: A quarter to one; all right.

GOVERNOR HARDEE: Say two-thirty, then.

GOVERNOR NICE: We will re-assemble at two-thirty? All in favor of the motion will say AYE. The motion is carried, and we will re-assemble at two-thirty.

(Whereupon an adjournment was taken until 2:30 o'clock P. M.)

Fourth Session, Friday Afternoon, June 14, 1935.

2:30 O'clock P. M.

GOVERNOR McNUTT: The session will be in order.

I have the honor to present as your presiding officer this afternoon the Honorable John C. B. Ehringhaus, Governor of North Carolina. Governor Ehringhaus.

GOVERNOR JOHN C. B. EHRINGHAUS: Members of the conference and guests, I wish to assure you in advance that I shall start my own personal participation in the program or responsibility for the conduct of the program by breaking a rule of precedent. I shall decline to make an inaugural address and I am sure that in that declination I shall receive the approbation of those who are present and whose minds and attention and whose curiosities are more particularly directed to the discussions which are chronicled on the program and which are in this case formulated with reference to pressing problems that are troubling us all.

Earlier in this session you will remember we expected to hear from one of our brethren who was unavoidably detained and could not be here at the time for which his address was scheduled. This subject matter, however, is of such high importance and is of so much concern to all of us who have to deal with matters of state government, and particularly fiscal questions in connection with state government, that I regard it as most fortunate that he found it possible and convenient to come here before the close of our deliberations, and I am happy in the privilege of presenting to you as the first speaker on the afternoon program the Honorable Frank D. Fitzgerald, Governor of Michigan, who will speak to us on the subject of the "Operation of State Government under Budget Pay-As-You-Go Basis," by which I understand him to mean that if you can not pay, do not go. Governor Fitzgerald. (Applause).

GOVERNOR FRANK D. FITZGERALD: Governor Ehringhaus, Governors of the various states, gentlemen of the press, and guests:

I have enjoyed this conference immensely. I enjoyed the addresses given this forenoon. They were given forcefully and they were instructive. Now, I am going to be brutally frank. Had I not been ever mindful of the fact that I was at a conference of Governors, I would have sworn that I was in the halls of congress. The discussions that were brought out this morning are very

helpful and informing to your representatives in congress of your ideas and opinions and no doubt will guide them in their deliberations in that august body on the important subjects that were discussed.

I had hoped when I came to this conference that I would hear an open and frank discussion of state problems. In other words, I had hoped that we governors could informally "talk shop," and discuss some of the problems that are facing us in our respective states. Perhaps Michigan is the only state in the Union, however, that has any unsolved problems. I had hoped that we could have an open and honest discussion of such subjects as tax delinquencies, sources of revenue, old age assistance, and all the numerous other activities that I know are worrying every one of you chief executives. In the matter of what we are doing in welfare, Michigan is appropriating and turning over to the federal agency in our state one million dollars a month for that activity of the federal government.

Governor Ehringhaus, I must introduce myself a little further. As one of the governors said this morning, I perhaps look upon government in a peculiar way or in a way that is out of the ordinary. I am proud of politicians. Politicians have their place in government. I do not happen to be a politician. I started in this state service twenty-three years ago as a committee clerk in the state senate. I took that job as I would take a job with any private industry, knowing that if I kept it I would have to do it well, because I had no one to keep me there aside from myself. In that twenty-three years I have made many observations. I have seen bureaucracy grow up in government until it is startling, my friends, bureaus, departments, commissions and inspection work, until the people are dizzy. They do not know when they turn to their right or left whether they have to have a license or pay an inspection fee.

We must eliminate bureaucracy in government and get back to the fundamentals of government, which is thrift. Government, no more than an individual, can continue year after year to spend just a little more than it takes in. Government can not make money. Government expends only what the people pay in the treasury in the form of taxes. I was interested in one remark made by our host, Governor Conner, yesterday. "The people least governed are the best governed." We are overly governed today. Why, my friends, I sometimes think we are getting to a government of the federal and state salary check grabbers instead of a government for the people.

The people who put us in office trusted us to be their lobbyist, not only while the legislature was in session, but during 365 days in the year; and the only way we can be their lobbyist successfully—I mean the rank and file of our people—is to endeavor to lift from their overburdened shoulders the tax burden that is today bearing them down.

I happen to have as my subject a purely local subject as would apply to a state, with one or two minor exceptions, "Operating the State on a Pay-As-You-Go Basis under a Balanced Budget," and it is brief.

Government in its various subdivisions must come to the balanced budget as the sinner comes to repentance. It has learned that it does not pay habitually to break economic law. The transgressor may fall by the wayside many times before the truth dawns upon him, that he must mend his ways. Government likewise has been stubborn in clinging to its weakness. It has tried many pitiful dodges in the hope of side-stepping stern realities.

It has tried borrowing itself out of debt. It has tried numerous methods of complicated bookkeeping which produce optimistic conclusions, but disguise disagreeable facts. It has tried the trick of closing its eyes to the unpleasant truth by putting off the inevitable day when it must meet its obligations.

At length, after all its circumventions, it must inevitably run head-on into a simple, inescapable rule of business, that you can not spend more money than you take in, without going into debt.

Taxpayers have learned from bitter experience that public debt is costly; that the debt-forming habit leads to graft and extravagance. As public debt grows, they know, a larger slice of the tax-dollar is consumed in interest charges and sinking fund requirements, while the amount that is left for carrying on essential functions of government grows smaller in proportion. They resent, in these days of financial stringency, the necessity of paying for the dead horses of past administrations.

We are fortunate in Michigan in our bonded indebtedness. We have about \$45,000,000.00 outstanding net, and I was shocked in coming down on the train with Governor Talmadge of Georgia to learn that his state is in debt less than one and one-half millions of dollars. I congratulate this and past administrations of the State of Georgia.

Many men in high public office rode to popularity over highways paved with public debt. These public servants galloped ahead in regal grandeur while the delusion prevailed that a government could have anything it desired merely by floating a new bond issue, and forgetting about the day when that issue had to be met with cash taken from the pockets of the taxpayers. They had plenty of other people's money to lavish on noble ventures, that added much to their glory and to their strength at the polls.

They rode their royal way, and they left behind them their debts and their deficits, for other people and other generations to struggle with.

These princelings of the public trough have had their fling. Most of them went into well-merited retirement, the moment the people realized it was **their** money which was being poured forth; that it was **their** future which was being mortgaged.

Like the father of the erring youth, the people are paying for the spree of those whom they elected to high office. Like the father, they acknowledge their responsibility, but they put down a firm foot, and they say, "I'll square it up this time, but it will never happen again."

That at least is what the people have said in the State of Michigan and before this country is done with its economic difficulties, I venture the prediction that this attitude will be general in every state of the Union.

Michigan is almost an island, geographically. I am beginning to wonder if it is not also becoming an island in political thought. In these times, speaking of government expenditures, we rattle off sums in the billions of dollars without pausing to draw a breath. Michigan has determined that her state government will cost her no more than she can afford to spend. She will pay out as much as she takes in, but no more. She will get along on what she can afford to buy in the way of public service not on what she would **like** to buy. The cloak will be made to fit the cloth. In short, Michigan will balance her budget for the first time in the history of the state.

Michigan will have no new state taxes and no additional state debts during the next biennium. This may seem quaint and old-fashioned in this day of governmental spending on the grand scale. Representing, as I do, a state with such home-spun notions, I may be somewhat of an ugly duckling in this gubernatorial pond.

But, gentlemen, I would not be here today as a member of this conference of governors, if I were not in line with the majority of the people of the State, in this matter of economy. The pay-as-you-go policy was the theme song of my campaign. Twenty-two years in the service of the State has left me with the abiding conviction that the most valuable service a public executive can give is to ease the burdens of the taxpayers. If I did less than adopt and enforce a pay-as-you-go policy, my pledge would be broken. I had a definite job on my hands when I went into office. The people elected me because they believed that long training fitted me for that particular job, and I shall not fail them, my friends.

States surrounding Michigan may devote themselves whole-heartedly to the task of finding new ways to spend more money. That may be the trend of the national government—and I say that with all seriousness, with all kindness—although I do not concede it is the wish of the popular mind. I propose, however, to go my way, although I may not have much company at this moment. My job is to find out how much I can save; not how much I can spend; and that's as the people of my state wish it.

The needs that lie behind Michigan's strong demand for a sound financial program, based on a balanced budget, run like threads through the fabric of our whole national government.

To advocate here the soundness of the pay-as-you-go policy in state government would be akin to offering a copybook lesson on the virtue of thrift. To attack it would be like arguing in favor of extravagance. The balanced budget is an instrumentality of government as essential, as simple, and as sturdy in its way as is the old saw-horse that stands by the wood-shed, in the farm-yard. It is not subject to question or doubt.

There is a factor involved in the adoption of this sound financial policy by the states which gives rise, not to question or to doubt, but to the gravest of fears. This conference, I believe, is a fitting occasion for its full discussion.

I refer to the authority of the federal government to deprive a state of the benefits its citizens have earned when they adopt a balanced budget.

Let us say that the people of a state have determined to put an end to extravagance. They take steps to save themselves from being crushed by further tax burdens. They reduce governmental overhead so that it matches

income. In doing so, they deprive themselves of certain public services which might be classed as desirable but not essential. They cut corners whenever possible, and in some instances their sacrifices in the interest of economy may even bring on conditions approaching hardship. They do away with all frills and curlicues, stripping the structure of their government of everything within reason that they can forego.

Through this frugality, taxes are lowered; the deficit is reduced; individuals and business organizations alike are enabled to advance to a sounder financial basis.

Then comes Uncle Sam, levying upon this state for its contribution toward the upkeep of the national government. Like the prudent individual, the prudent state is likely to have sufficient resources to meet federal requirements without delay. It follows also that he who practices thrift is likely to be called upon to pay more than the broken down spendthrift. He usually has the larger income.

This state then pays to the federal government a sum far greater than that which it receives in return.

A good portion of its contribution to the national treasury may be parcelled out among states which neglected to put their financial house in order; which underwent no great sacrifices in the interest of economy; which broke down financially because of their own recklessness.

Is it fair that the well-ordered State should pay the bills of a profligate neighbor?

I refer not to the emergencies caused by flood or drought or similar acts of God. In such instances, there never has been nor will there ever be any hesitation on the part of one state to come to the help of another.

I do refer to the practice of the federal government in taking funds from one state to finance all manner of activities in another state, without giving to the contributing states one iota of control as to how these funds shall be spent, or where.

No reasonable person balks at donating to a worthy cause. He appreciates the courtesy, however, of being informed as to whom he is helping, and why.

The bank or the government agency which loans money rightfully demands a financial statement from the applicant. It wants to know how he got into debt,

how he proposes to spend the money he wants to borrow, and if it determines to make the loan, it dictates the future business policies of the borrower, and the manner in which the borrowed money shall be used, if you please.

A state can exercise no such control over the money that it is forced to pour into other states, even if some of these states have been managed in such a way that federal contributions amount to many times the sum they contribute to the national treasury.

If this nation is proceeding on a course of penalizing states because of their thrift, the habit of thrift will soon fall into disfavor, and there is danger that we shall all embark on an orgy of loose financial living, based on the idea of grabbing as much as you can with the least possible exertion.

The evil in this situation lies not only in the fact that the states are given no voice in the distribution of funds exacted from them.

It obtrudes itself in the power which the national government holds over the disposition of funds returned to the state, a power that may be so used as to throw out of balance or wreck a well-considered, balanced program adopted by that state for the administration of its finances.

In the 1934 fiscal year, Michigan's federal income taxes amounted to \$101,320,000. Federal relief grants amounted to approximately \$41,000,000.

It is not contended that these figures give a comprehensive view. The federal government spends money in Michigan for numerous purposes other than direct welfare relief. Likewise, it has numerous sources of revenue other than the income tax. It would be most difficult, if not impossible, to get a consolidated report of total revenue and total expenditures. I have not seen one yet, and I do not know where you would go to get one. Government business does not seem to be done that way. How much of Michigan's tax money went to other states, and which states were so favored with Michigan's money, is not known to us, for we do not receive accountings from our Uncle Sam showing what he does with our money.

The state welfare department continued to exist, merely as an auxiliary to the department established by federal authority. Thus, we have two welfare departments, when it is obvious that the task of caring for our unemployed would be handled more efficiently and more

economically if the state were permitted to attend to the needs of its own people, with that share of its own money returned to it by the federal government.

We claim no super-intelligence; yet we **do** believe we know more about the conditions and requirements of our neighbors at home than do learned theorists sitting at desks in Washington.

It has been asserted that the welfare relief system might become tainted by politics if it were turned over to the State of Michigan.

Well, my friends, one of the investigations conducted into the administration of federal relief work in various counties in Michigan revealed the interesting item that welfare workers were directed by the official in charge to take time off at the expense of the government, so they could listen to a candidate for governor who was campaigning on the claim that he was the only regularly ordained candidate of the New Deal.

The state could not do much worse than that.

If Michigan were given control over the distribution of that \$41,000,000, an effort certainly would be made to direct this fund into channels that would lead to a reduction of the State's overhead. The \$41,000,000 could be fitted into the state's budget where it would do the most good. As it stands it can be disbursed without relation to the state's general, social, and economic needs.

Here is an example:

Our hospitals for the mentally defective are overcrowded. Competent authorities report that thousands of persons are roaming the streets who should be in confinement and under treatment, for their own good and for the protection of society. Some of the most revolting crimes in the history of our state have been committed in the last few years, by persons of perverted mind who should have been in hospitals for the insane. The victims, sadly enough, have been innocent children.

We read daily about the \$4,800,000,000 PWA fund. Our state Planning Commission has submitted a most comprehensive program setting forth how Michigan's share of this fund could be used for the best interest of the state at large. Its program has been scrapped and its author, a nationally known business executive, has quit in disappointment, because he knows his work has been futile.

We have heard not one word about the possibility of a grant for any hospital or other state institution.

We have heard that \$13,000,000, the first allotment of a grant of \$23,000,000 from the PWA is available for building of roads and railroad grade separations.

A state can always use more good highways. Their value can not be denied. The immediate need for roads, I am sure, is not nearly as urgent as is the need for adequate hospital facilities for mental defectives.

It is a coincidence, I suppose, that the highway department is one of the few branches of our state government which remains under Democratic control. As is perfectly proper, this department directs the expenditure of the vast sums allotted to the state for road work. It can and will accomplish much good by putting thousands to work.

It requires no separate federal organization to direct this highway work. In view of this fact, many people in Michigan wonder why the federal government insists on having a complete organization of its own in the field to conduct welfare relief activities, and compel the state to donate one million dollars a month as state aid and turn it over to the federal agency, we not knowing where or how it is spent. The state's welfare organization is part of a Republican administration, but certainly it could be trusted to function as efficiently as does the state's Democratic Highway Department.

Those who are inclined to think in political terms come to but one conclusion. If politics is being played in the distribution of these federal relief funds, the cards are being dealt outside the state.

A gentleman representing one of the great federal money-spending agencies recently called on me, and in a brief conversation he illustrated, unconsciously, the fallacy underlying the whole policy of the government toward the states in the matter of allocation of funds.

In Michigan we had been bold enough to submit to the legislature a bill that simplified the administration of welfare relief work. We wished to do away with cumbersome, costly, duplicating operations. We wished to reserve to ourselves the right to say how and where our money was to be spent. We welcomed federal co-operation, but we turned our backs upon federal dictation, under the terms of this bill.

"If this bill is passed," said the gentleman from Washington, "I'm afraid we won't be able to help you with any of **our** money."

"Whose money?" I asked—and I may have added a few words which I will not repeat here.

"Why," he said, "the Federal government's money."

"No, you mean the people's money," I told him. "And in this instance you're talking about the money belonging to the people of Michigan."

Gentlemen, we know not how long our present difficulties will continue. We **do** know that a policy of practically unlimited spending can not go on indefinitely. An end must come some day, and when that day comes the state will be fortunate indeed which can say, "My house is in order. I'm ready to stand on my own feet."

And the legislature in its closing hours—I explain this so that you will know why I am so positive when I say we will have a balanced budget—after spending four months endeavoring to create a board to appoint a finance director, which was defeated in the closing hours of the legislature, that body gave the Governor full authority to reduce all appropriations in any fiscal year pro rata to meet income. We are going to be able to get some where under that scheme of things.

All I ask for Michigan is that she be given the right to stand on her own feet.

Gentlemen, I understand that in all the years of this organization resolutions have—I do not now whether they have been out of order or not, but they have never been adopted. We have talked here today on many subjects and I understand on yesterday. I am sorry I was not here yesterday when welfare relief was discussed freely with Mr. Williams who was here representing the federal government. I am quite willing to break that precedent to at least establish my own thoughts in this matter, and I wish to offer this resolution:

"Whereas, it is the theory of our government that the governors of the various states shall be responsible for the administration of the financial affairs of their respective states; and

"Whereas, so-called federal welfare relief moneys are now being disbursed by federally appointed agents not connected with or responsible to regularly constituted state authorities, and without regard to the wishes of these authorities:

"Therefore, be it resolved, that the Conference of Governors, in annual meeting at Biloxi, Mississippi, June 14, 1935, does hereby protest against this policy and demands that full control of welfare relief administration be placed in the hands of the states; and

"Be it further resolved that a copy of these resolutions be forwarded to the President of the United States, to Harry L. Hopkins, Federal Emergency Relief Administrator, and to the members of both houses of Congress."

I thank you, sir.

GOVERNOR McNUTT: Mr. Chairman, I move to lay the resolution on the table.

GOVERNOR COONEY: I second the motion.

GOVERNOR EHRINGHAUS: Gentlemen, you have heard the motion.

I venture, if I may, from the chair to propose a substitute:

"Recalling the fact that the president of the United States, as governor of one of our sovereign states, was most active in the original promotion of these conferences, and further recalling that one of his first acts as president was to call into consultation the chief executives of all the states for a frank discussion of the critical problems then pressing for solution, and recalling that at this conference in Washington on March 6th, 1933, the governors passed by unanimous vote resolutions pledging themselves to a sympathetic co-operation with the nation's chief in the difficult days ahead, and further noting that stressful days are still upon us and there is yet great necessity for co-operation and co-ordinated effort without partisanship and narrow politics, this conference of governors sends its sympathetic greetings to the nation's chief and renews in patriotic non-partisanship its pledge of co-operative executive effort toward national rehabilitation, and invites in cordiality and a sense of consecrated public service consultation and co-operation in our great common enterprise of public service."

I propose this as a substitute for the resolution offered.

GOVERNOR GRAVES: Mr. Chairman, a point of parliamentary inquiry. Upon a motion to table, what is the rule?

GOVERNOR EHRINGHAUS: It admits of no discussion or debate, is my understanding.

GOVERNOR GRAVES: The motion made and seconded was a motion to table.

GOVERNOR EHRLINGHAUS: Very well. I will put the motion to table. Those favoring the motion to table will signify by saying "Aye."

(Cries of "Aye").

Opposed, "No."

(Cries of "No.")

GOVERNOR TALMADGE: It ought to be debated. That is what ought to be done.

GOVERNOR EHRLINGHAUS: The "Ayes" seem to have it.

GOVERNOR GRAVES: A point of order.

GOVERNOR EHRLINGHAUS: The "Ayes" seem to have it. Is there a division called for?

GOVERNOR TALMADGE: That question ought to be debated by the governors of the various states.

GOVERNOR GRAVES: Mr. Chairman, a point of order. It is not open to debate or substitute, further than the "Ayes" and "Noes." The chair has announced his decision.

GOVERNOR EHRLINGHAUS: Very well, gentlemen, the "Ayes" seem to have it. The "Ayes" have it.

GOVERNOR TALMADGE: Division.

GOVERNOR GRAVES: The "Ayes" have it in the judgment of the chair. Is there an appeal, is the order of business.

GOVERNOR EHRLINGHAUS: The "Ayes" seem to have it.

GOVERNOR TALMADGE: Call for a division.

GOVERNOR EHRLINGHAUS: I have no desire to cut off an opportunity to record a vote. Those who favor the adoption of the motion to table will signify by standing. Thirteen. Be seated please.

The governors opposed to the adoption of the motion to table will stand and be counted. Four.

The motion to table is adopted.

At this point I would like to offer my resolution for adoption by this conference. In that connection I ven-

ture to say that it is intended to express a desire for sympathetic co-operation and to pledge ourselves by sending a message to the president for that sort of effort, with a continuance. I offer that resolution to this conference.

GOVERNOR GRAVES: Is that a substitute?

GOVERNOR EHRINGHAUS: No, sir.

GOVERNOR GRAVES: It was originally offered, was it not?

GOVERNOR EHRINGHAUS. And withdrawn. It is now offered for such procedure as is proper.

GOVERNOR GRAVES: Please read it.

GOVERNOR EHRINGHAUS: I will be glad to read it.

"Recalling the fact that the President of the United States, as governor of one of our sovereign states, was most active in the original promotion of these conferences, and further recalling that one of his first acts as president was to call into consultation the chief executives of all the states for a frank discussion of the critical problems then pressing for solution, and recalling that at this conference in Washington on March 6th, 1933, the governors passed by unanimous vote resolutions pledging themselves to a sympathetic co-operation with the nation's chief in the difficult days ahead, and further noting that stressful days are still upon us and there is yet great necessity for co-operation and co-ordinated effort without partisanship and narrow politics, this conference of governors sends its sympathetic greetings to the nation's chief and renews in patriotic non-partisanship its pledge of co-operative executive effort toward national rehabilitation, and invites in cordiality and a sense of consecrated public service consultation and co-operation in our great common enterprise of public service."

GOVERNOR CONNER: Mr. Chairman, I move the adoption of that resolution.

GOVERNOR McALISTER: I second the motion.

GOVERNOR McNUTT: I am in hearty accord with the spirit and tenor of the resolution, but it has been a long established custom, and I think a wise one, of this body to pass no resolutions. You can see the implications that are behind them. No resolution can bind the body. We can express, as an official, our thoughts.

GOVERNOR EHRINGHAUS: To pass no resolutions?

GOVERNOR McNUTT: That has been the custom of this body since the beginning.

GOVERNOR EHRINGHAUS: I only know that at the conference in Washington they did pass a resolution.

GOVERNOR McNUTT: That was not this conference. That was a group invited by the President.

GOVERNOR NICE: If this is placed to a vote I want to be recorded as voting in favor of it as an evidence of my non-partisanship, as my vote against the resolution was a vote of non-partisanship.

GOVERNOR COONEY: I think, replying to Governor McNutt, that the custom not to pass resolutions has been wrong long enough. I expressed myself two years ago in San Francisco on this same subject and I am here to express myself again. I think we should pass whatever resolutions we see fit and send them to the President.

GOVERNOR EHRINGHAUS: I know of no constitutional inhibition against each conference doing whatsoever it pleases.

GOVERNOR FITZGERALD: I think this resolution is entirely different than the former one. I think this is a resolution in which we are all thinking—pledging our help to the President of the United States in these times, and I think it is very appropriate and fitting. If it has been the policy of the conference not to pass resolutions, I think we should make an exception in this case and vote favorably and unanimously for this resolution.

GOVERNOR EHRINGHAUS: The Chair rules that unless there is some constitutional inhibition with which it is not acquainted, the resolution is before the house.

(The question was called for).

All who favor the adoption of the resolution will signify by saying AYE; opposed NO. The resolution is unanimously adopted.

The remarks of the last speaker are, of course, subject, according to our practice and procedure, as I understand, to discussion, and I should be very interested in hearing, coming, as I happened to do, from a state that makes the second highest gross contribution to the federal treasury, and the highest net contribution of any state in the union, in excess of all of my brothers in New

England, plus Michigan, and receives the smallest per capita portion of federal spending, I am interested, of course, in this discussion of the allocation of the funds according to contribution to the federal treasury. And if my brother suggests to me that the size of my own state's contribution is due to the fact that it is in large part a tobacco tax and the tobacco is consumed all over the country, I venture to suggest, first, in answer to that, that we pay that tax there because we grow the tobacco there, and our brethren of Virginia, and second, that the same argument might be used about Michigan's automobiles. However, I think it is interesting for us to get our various points of view, and the chair is perfectly delighted to have contributions from the floor on this interesting subject.

GOVERNOR McNUTT: More or less in the form of questions, Mr. Chairman, being a neighbor of the Governor of Michigan, I wish to arise to a point of personal privilege and ask to whom he refers as the profligate neighbors?

GOVERNOR FITZGERALD: Governor McNutt, I refer to no specific state. Our neighbors reach out from coast to coast, which I am sure would take in many.

GOVERNOR McNUTT: Then to be specific, because I am heartily interested in the whole question, as you know, we have had a balanced budget for the last two years in Indiana, we have a balanced budget for the next two years, and we don't owe a dime as a state. How much do your political sub-divisions owe, the total bonded indebtedness?

GOVERNOR FITZGERALD: \$350,000,000.

GOVERNOR McNUTT: How much does your state owe?

GOVERNOR FITZGERALD: \$45,000,000.

GOVERNOR McNUTT: Your profligate neighbor on the south of you, the state doesn't owe a dime, and the total bonded indebtedness of all the political sub-divisions is \$150,000,000.

GOVERNOR FITZGERALD: That is very wonderful, Governor McNutt.

GOVERNOR McNUTT: And we are moving on the downward path.

GOVERNOR FITZGERALD: I am in hopes that Michigan in time can reach that status in its financial affairs that will equal the state of Indiana.

GOVERNOR McNUTT: I was wondering about the other matter of contributions to the relief of the needy. You received \$41,000,000?

GOVERNOR FITZGERALD: Yes.

GOVERNOR McNUTT: We received less than \$36,000,000, but we paid in more, we paid in \$110,000,000. What is your population?

GOVERNOR FITZGERALD: Five million.

GOVERNOR McNUTT: Ours is 3,200,000.

GOVERNOR FITZGERALD: You are going better than we are.

GOVERNOR EHRINGHAUS: Both of you boys ought to be ashamed of yourselves. My state paid \$260,000,000 into the federal treasury.

GOVERNOR McNUTT: We are talking about relief.

GOVERNOR EHRINGHAUS: And got back 43 cents on the dollar.

Does some other brother have something to say here for the good of the order? Anything else on that subject? I thought my brother from Virginia was going to second me on that because he also makes a substantial contribution to the federal treasury.

GOVERNOR R. L. COCHRAN: I would like to call your attention to another state that has no bonded indebtedness of any character, has \$14,000,000 permanent school fund, just finished a \$10,000,000 capitol, don't owe a dollar, and have no state income tax and no sales tax. (Applause).

GOVERNOR EHRINGHAUS: What do you do up there in your state?

If there is nothing else on that subject, we will proceed with the program for the afternoon, the regular program for the afternoon. And I think it is most fortunate that the next subject is projected into the program just at this point. There was some little slight dig by my brother at the sales tax. I concede that it is perhaps the most cussed as well as discussed tax of which I know, but it has been a veritable help in a time of trouble to some of us who had a regard for our obligations, a de-

termination to pay them, and at the same time to carry on in the poverty of our natural resources—the tax resources, I am speaking of—to carry on the essential functions of government and meet the honorable obligations of government. I think we are most fortunate that we have present with us one of our membership, as our host governor, Governor Conner, who is going to speak to us this afternoon at this time on the Mississippi sales tax. Governor Conner. (Applause).

GOVERNOR CONNER: Mr. Chairman, Gentlemen of the Conference, Ladies and Gentlemen: I have been very much interested in the discussions of this Conference. They have been interesting because of the differences of opinion that have been expressed. If there were no differences of opinion, there would be no excuse for this Conference, and no good could come from it. As paradoxical as it may appear, an aggressive, vigorous minority is always essential to good government.

I was particularly interested in what my good friend, the Governor of North Carolina, had to say about his state and how he attributed the fine financial condition of that state, and we share with him his pride in the attainments of North Carolina—that he has attributed the fine financial condition of the state government of North Carolina very largely to tobacco. Now, we want to claim some credit for that down in Mississippi. They grow the tobacco in North Carolina, and we chew it in Mississippi and Alabama, Governor Graves. At any rate, our interests are pretty well dependent one upon the other.

When I was advised by the Secretary of this Conference that the Executive Committee had a meeting, which I was unable to attend, had assigned to me the duty of discussing on this occasion the "Sales Tax," I immediately protested to him. I told him that as Host Governor I would enjoy enough glory from this Conference. I think this is about the third time this subject has been assigned to me during the last four years for discussion at Conferences of the Governors.

There is no mystery about the sales tax. I think we have turned it over dozens of times during the last three or four years and inspected all sides of the question. I have no prepared speech, but I want to talk to you just a little bit informally, beginning by stating certain general principles to which I believe each and every one of you will subscribe.

In the first place, that taxation is the most perplexing, the most vexing, the most unpopular, and the most vital

problem of government. It has always been so since civilized government was first established, because man at no stage of his development has ever attained that point or that plane in civilization where he was willing to support his government by voluntary contribution, and but for the power of the sovereign to impose taxes and enforce their collection by the orderly processes, the government would fail. We are dependent upon taxation to enforce our laws for the protection of our lives and our property, to educate our youth, and to carry on all the other functions of civilized government. It is likewise and equally as true that there is no panacea for taxation; there is no uniform remedy that may be applied universally. A system of taxation that will work under some conditions will not work under others. Therefore, it is true that the experience of any one state with any one system of taxation is merely persuasive, and is not conclusive. It is likewise true that there is no popular form of taxation. I have heard politicians—and I think I have heard practically every Governor who has spoken here deny he is a politician—well, we have all been politicians enough to be elected—but unfortunately so often candidates for public office go before the people with rosy promises of what they propose to give the people when they are elected, but very seldom do they ever tell the people how they are going to impose a tax on them to pay for those many things that they are going to give to them.

Taxation at this time seems to be of utmost importance, because I think we must realize that taxation has a function to perform under present conditions even broader than that of supporting the government. We have realized that in the past in the form of taxation we have offered protection to certain interests. It occurs to me that in the power to tax the government has an instrumentality which may be used to correct the economic order, and to meet some of these problems that we have talked about a great deal during the last few days.

Now, then, another fundamental principle to which I subscribe is that there is no justification for the imposition of new taxes at this time, except, and to those exceptions I shall refer presently. You have seen how the amount of taxes paid by the American people has mounted during the last twenty years. Even before this period of depression, the amount of taxes imposed upon the American people was increasing much more rapidly than was the income of our people, and certainly in the last few years as the income has decreased, unfortunately, in

many governmental units, the rate of taxation has gone on higher.

I would not advocate the sales tax as a form of taxation simply to get more money to spend. A good many taxpayers feel that is the only motive behind the sales tax. We can justify the imposition of new taxes, or an increase in old taxes, only where such is necessary to carry on absolutely essential functions of government, and only when it is necessary to impose such additional taxes after all possible economies have been practiced to bring your budget in balance.

I was very much interested in the discussion of the Governor of Michigan, because no government—this applies not only to states but also to the national government—as long as time is measured in the life of governments, can long live with an unbalanced budget. The public credit depends upon a balanced budget. Private credit can never rise higher than public credit, and sound private credit is essential to commercial welfare of business enterprises and operations.

The imposition of a new tax, such as the sales tax, may be justified if it results in a reduction of tax rates of other classes that are excessive and, in some instances, confiscatory, such as the property tax in many jurisdiction throughout the United States.

I would not advocate a sales tax as a lieu tax, to be levied in the place of all other taxes, nor levied as a single tax. It does not properly distribute the burden of government.

Now, a good many objections have been urged, and I want to enumerate the objections that have been urged to the sales tax—you have heard them all. In the first place, it is impossible of enforcement, and the so-called tax experts ascribe to that doctrine. Personally, I do not believe there is any such animal as a "tax expert"; but there are some who pose as "tax experts." In the second place, that it is expensive of administration. In the third place, that it places a tax upon poverty and on the necessities of life.

There are very few taxes that do not, directly or indirectly, tax some of the necessities of life, and that do not eventually make their weight felt upon poverty. In the fourth place, that the sales tax will destroy business and drive it from the borders of the state that imposes it. In this state it was urged that the people would not tolerate it, and that they would revolt against it.

Finally, an objection which I believe has more merit in it than any of those I have enumerated, is the objection that the sales tax becomes more or less painless, and that there is a tendency to increase the rates as the resistance is overcome, and that it will lead to extravagance.

Now, there are a few arguments for it. In the first place, a sales tax brings immediate returns. My good friend, the Governor of Illinois, had an experience along that line in the imposition of the sales tax to meet the serious relief needs in the great City of Chicago. But we do not have to wait as we do for the property tax, for an assessment roll to be made up, and for those assessments to be reviewed and for the day of taxpaying to come around, but it brings an immediate result, and as an emergency tax it is very efficient.

Then, the sales tax establishes the widest possible tax base; and the wider your tax base is made the more secure you are from radical fluctuations in the income of the governmental unit, which fluctuations oftentimes account for the deficits in the operating budget. It permits a more equitable distribution of the tax burden, because it brings into the taxpaying class every resident of the state. In Mississippi, more than fifty per cent of our people are negroes. Very few of them pay any direct tax to the support of the government. For that matter, in our state, around fifteen per cent of our people were contributing directly to the support of the government before the sales tax was enacted, and that is an unhealthy condition. Obligations are voted upon the government by people who feel no responsibility, because they make no contribution to the payment of those obligations. If a man belongs to the church and he does not contribute to the support of the preacher, it is not long before he loses interest in the doctrines the preacher propounds.

Now, then, allow me to refer briefly to one example of what the sales tax has done, with this understanding, I am not so presumptuous as to undertake to prescribe the sales tax for anybody else. As I told the legislature over in Georgia on the occasion when I was over there, and other legislatures that I had the honor to address, in order to show you what the sales tax has done in Mississippi, it is necessary for me to make a confession. When I became Governor of Mississippi in 1932, I found that in only six of the thirty years immediately preceding that date had the state's operating budget been balanced; that in twenty-four of those thirty years the cost of operating the state government had exceeded the cur-

rent receipts of the state government, and deficits had been created, for which invariably subsequently bonds were issued. I found a deficit of about \$13,000,000. represented by notes and by warrants in default. The obligations of our state had not been fully paid in more than one and one-half years. I found that the rate of property taxation was defeating industrial development, was discouraging home ownership, was confiscating the homes, and that we could not go farther in that direction. So, we enacted a two per cent general sales tax after some five months of discussion and debate, securing its enactment by a margin of one vote, after five months of talk. The sales tax went immediately into effect.

Now, this is the report that I make to you briefly: We have closed each of the last three years with a cash surplus in the State Treasury. Our bonds that were selling at sixty cents on the dollar, in January, 1932, if they were selling at all, are quoted now at 112 to 115. In this four year period we will retire by payment a larger amount of the state bonds of Mississippi than have been retired by payment in a combined period of one hundred years. Today we have a surplus of more than \$4,000,000 in the general fund of the State Treasury, which would not amount to much with North Carolina, but which amounts to about one-third of our general state expense in Mississippi.

I would not lead you to believe that we have done that with a two per cent sales tax. We have practiced rigid economy. At the first legislative session we reduced the operating expenses of our state government more than thirty-three and one-third per cent. We set up budget control; we re-organized our administrative agencies, so as to insure economy and efficiency, and the best way to get efficiency and economy in the administration of any governmental unit is to remove from it all political and partisan considerations, whether it be the administration of relief by the federal government, or whether it be the operation of institutions of higher learning, or even the operation of your tax department.

I forgot to tell you that as a result of the sales tax and these other methods that we have applied, that we reduced the property—the state property tax—by approximately sixty-five per cent. They told us when we passed the sales tax that it was just another tax, and that it would not bring about a reduction of taxes.

Now, as to the objections. In Mississippi the objections urged to the sales tax have been overcome. It has been administered efficiently; it has been administered

without excessive cost. It has cost us three and a half cents on the dollar to collect the sales tax, when our property tax cost us three times that much; it has not driven business from Mississippi; the people did not revolt when the law was enacted. First, in 1932, we wrote into it a provision that it should expire automatically June 1st, 1934. Almost without debate, with practically no dissention or opposition, the legislature re-enacted the sales tax and continued its operation. That is the strongest evidence of its acceptibility to the people of Mississippi.

As an evidence of the fact that it is being administered, I call your attention to the fact that the returns from the sales tax have exceeded the budget estimates by more than fifty per cent, and that each year it has yielded a larger income or return, at the same rate, than it yielded the year before. The per capita yield in 1932 was 77 cents; in 1933 it was \$1.34; in 1934 it was \$1.87.

Now, that is the story about as well as I can tell it to you. But I thought if you had any interest in this subject—if you had any interest in it that was not theoretical, but that was practical—and while the sales tax in Mississippi has been a success, that success has been due almost entirely to the gentleman who has administered it, the Chairman of the State Tax Commission of Mississippi, a man who is fortunate in that he combines theoretical knowledge with practical experience, a gentleman who has written on various subjects of state government, a man to whom I give the credit for the success of the sales tax; so, Mr. Chairman, I just presumed to ask my State Tax Commissioner, of whom I am very proud, to come here this afternoon and briefly discuss with you some of the problems of administration, and I know that he will be delighted to respond as best he can to any questions that you may care to ask him about it. I am quite sure that you know as much about the sales tax as I do, but I am equally as sure that you do not know as much about the difficulties of administration and the practical side of its application as does Honorable Alf Stone, Chairman of the Mississippi State Tax Commission. Come around, Mr. Stone, and earn your money. (Applause).

MR. ALF STONE: Mr. Chairman, Ladies and Gentlemen: I don't want to create the impression that you are listening to an exchange of bouquets, that Governor Conner and I have set up a mutual admiration society; but he didn't tell you the whole truth when he said that I

was entitled to all the credit for whatever success we had achieved with the sales tax.

I am willing to discuss some of the problems in the administration briefly, because I think that the matter of administration is fundamental to any administration of any tax law—of any tax system. I have some very definite convictions, not only on taxes and tax systems, but primarily in the method in which those tax laws are administered, in the contact of the men and women who have charge of the administrative functions.

Governor Conner told you that I had carried on this tax administration without politics. That expression is literally true; you can take it as an absolute statement of an absolute fact. Unless I had been able—and you will excuse me for using the first person pronoun, because I am talking about what was done under my chairmanship of this commission—unless I had had the unqualified support of Governor Conner it would have been entirely impossible for me to have accomplished anything at all, except in a more or less perfunctory and routine way.

When we started out with the sales tax we started out with the Tax Commission, which handles nine different sources of revenue. You hear a great deal about the sales tax, but even the people of the state themselves don't realize that we are responsible for the handling of the income, the inheritance, the tobacco, the beer and malt and the amusement tax, nine different sources of revenue, including tobacco. We applied the same method, the same principles, to the administration of all those tax laws. Very briefly, that is, we worked it out on a non-political set-up to begin with. In other words, I am able to say this: That due to Governor Conner's support and backing, there is not today upon the staff of the State Tax Commission of Mississippi a single political employee. That applies to the three members of the Commission themselves. Ours is a three member commission, the Chairman and two associate commissioners. Governor Conner has appointed those three members, not from any political standpoint—they are, of course, his friends, but there were no political considerations involved in it.

I can give you some idea of it when I tell you that the associate commissioners in this state receive the munificent salary of \$187.50 a month apiece. They are supposed to attend to the duties of the commission in session once a month, about one day or two days generally—I am talking about my associates. I get a little bit more

than that. I will not tell you how much more it is. The Governor told me I had to earn my salary this afternoon; I am keeping that a secret. The two members whom Governor Conner appointed as associate commissioners, who draw this salary, instead of putting in one day a month, one puts in six days a week, and the other from one to three days a week. Two days before one of these gentlemen took this job he was offered \$700.00 a month, with a guaranteed income of \$10,000 a year after the first year, and he turned it down; he wasn't even interested in it. The other one receiving this salary was offered by me, speaking for a non-resident corporation outside of the state, \$10,000 a year, and he didn't even pay any attention to it. In other words, what I am telling you is that we have got in the State of Mississippi under Governor Conner's administration a tax commission that is devoted to the one single purpose of a fair, scrupulously honest, non-political administration of the state's revenues. I don't think you are going to get very far without all of those fundamental principles.

With reference to the sales tax itself, I didn't know anything about it. I knew this: I had been mixed up with enough professional economists and tax experts in the last thirty-five or forty years to know that the sales tax didn't have a friend among the real taxpayers in America. I don't think it has any now.

Well, we started out with it under adverse conditions. And I am going to tell you frankly about how the thing worked out. I think, in fact I am sure—I was talking to him just a while ago, the Chief Justice of our Supreme Court, who is probably in the audience, Chief Justice Smith. He and I went to school together a good many years ago; he is sensitive on it, so I won't say when. He expressed a very kindly desire to administer the oath of office to me; so, they took me up to the Supreme Court room and the Chief Justice administered the oath, and one of the Associate Justices, our Irish friend, Judge McGowen, while the Chief Justice was signing the necessary documents to which I had subscribed, leaned over and whispered to me that the Chief Justice had omitted the most important part of that ritual. He said, "Mr. Stone, when he asked you if you would solemnly swear to protect and defend the Constitution of the United States and the State of Mississippi, and you said, 'I do,' he should have added, 'and may God have mercy on your soul.'" That was the general attitude towards the tax commission.

Now, the first visit I had was from a committee representing the State Hotel Men's Association, seven of them. I think they came up there within about ten minutes after I took office. And the conversation that occurred there illustrates better than I could tell you now just what we are doing with the sales tax, and I might say with all the other taxes falling within the jurisdiction of the State Tax Commission at the present time. Those gentlemen wanted to know about the penalties. They said, "We don't know anything about this tax; and here we are; we can't shut our business down until the thing goes into effect, and it is the first day of May or the second day of May." The first came on Sunday. "The law went into effect on us last night, and you are in here and we want to know what you are going to do about it." Well, so, I said, "In the first place, forget about the penalties; forget that side of it." I said, "We are not going to operate this Tax Commission on a penalty basis. My idea of a penalty is that it is inflicted for a punishment, and that a punishment should be inflicted only for crime, and I am going to get rid of the criminal side of tax practices in Mississippi, so forget about the penalty part of it. I will tell you right now that the only people who are going to pay tax penalties under my administration are going to be the people who make me impose a penalty." I said, "If there is any way on earth to get the thing handled by persuasion, by appeal to men's reason, to their patriotism, their civic pride, and their responsibility to government, that's the way we are going to do it." I says, "You can tell them another thing"—one of them said they wanted to know how I would enforce it—I says, "Forget that; that's one thing I don't intend to do; I don't intend to allow the word 'enforced' to be used in this office," and I haven't. We don't talk about enforcing it; we don't write about enforcing it. I am sixty-five years old, and have a good deal of observation in my time. I am old enough to remember the Fifteenth Amendment in its palmy days. It never was enforced. The South was whipped five years, but as soon as you got the troops away from any southern states the Fifteenth Amendment went into the discards.

I am old enough to have been a member of the legislature, which ratified the Eighteenth Amendment, and one of the few men who voted against it. But I do not believe you can enforce that kind of law, and I haven't taken a drink in twenty-nine years. In fact, I don't think human ingenuity expressed in terms of governmental action has ever reached that point where any group of men in any legislative body today is wise enough to pro-

mote a law which can be enforced in the face of a contrary sentiment, I don't care what the law is. What we had to do was to win the people of Mississippi over to the sales tax.

There again Governor Conner did a splendid job. He was tremendously hopeful when it came to that—and before I get off on that subject, I might forget it, I want to say this to you: I really am not entitled to any glory, except as a clearing house, in the proposition: I took the job as trustee for all the people of the state. I had some pride in it. I wanted to see if I couldn't make this work out on a novel basis; and I have gotten a wonderful response to that appeal, and it is a response that has made possible the satisfactory execution of the job all down the line; and that response has come from the legislature; it has come from the public press, the newspapers and newspaper men of the state; it has come from a wonderful group of employees, who feel that they can come down there and they can work overtime on meagre salaries, they can do anything in the world they are called on to do, they can put their hearts into the work, knowing as long as they deliver that sort of service they are not going to be disturbed; this response has come from the taxpayers themselves.

Now, to go back to this group of hotel men. I made them this proposition—I says, “Here you are, representing the most important business in the State of Mississippi, because your hotels never shut down; they may go into the hands of receivers, but they don't shut down; they are open twenty-four hours in the day. I need your help. What I want you to do is to come and give us a break on this thing; if you will give me one in its administration, I will promise to give the taxpayer a break from my standpoint. What I want to do is to find out how it ought to be worked as related to each individual and industrial group in the state.” I said, “My proposition is this: If you have a good common sense executive committee, you get together with your attorney and study this emergency revenue act, the sales tax law, and write me a letter, or file proof with me, whatever you want to call it—the higher sounding the name is probably the more you will have to pay for it—but you tell me how you think the law ought to be administered, and that is the way I will administer it.”

I have done that same thing with the other groups, and they have really made a very wonderful response. Now, I have talked to tax groups elsewhere, and I know some of my friends in the tax administration game think

I am a little "batty" about the thing; but I really don't feel that way. I have been working with this tax administration under Governor Conner long enough to believe if you will appeal to the patriotism and the honesty of your people—and that is what I have done. I have simply discarded the basis and the principle of a coercive measure, or a coercive administration, and substituted for it co-operation. My theory is that the state in its every capacity, on every administrative side of every state government in the Union, and I don't forget the national government as well, needs the goodwill, needs the sympathetic co-operation, and the kindly interest of its people, its taxpayers, and the public at large, just as definitely as any business enterprise needs the goodwill of the customers to whom it wants to sell its goods, and that is what I am trying to do here. In other words, what I propose to do, and what I did, was to take the two million people in Mississippi into our partnership, and say to them "this is your job." I have told them, "Let us try the thing out. You have got this situation and it has to be met. The legislature and Governor Conner have done all they could; they have reduced your appropriations, and we have calculated as best we could what we could expect from other sources of revenue, and you are going to need the addition of the revenue produced from this sales tax or some other source; so let us try it out." And that is what we have done. We tried it out on that basis.

I do not mean to lead you to think at all there is no opposition in Mississippi to the sales tax. There is opposition to all forms of taxation. But our method of approach to them is not with a big stick, not with a sand-bag proposition; it is in an appeal to the common sense and reason, to the patriotism of the taxpayers. And it is a very intensely interesting undertaking when put on that line. We have gotten by with that.

And I want to say just a word in conclusion, not only as to the sales tax, but I venture to say this applies to all other taxpayers, and it applies to the big business interests. We have done the same thing with them; we have taken the railroads and utilities, the telephone and telegraph companies, into our confidence the same way. We have invited them to come in, and they know they don't have to come in with a lot of high power lawyers and experts. They can come to the tax commission of this state and get a fair deal, and they know they don't have to pay for the square deal. In other words, we put every man, woman and business on the same basis.

I hear a great deal—we all do—about these taxes and so on. My thought is that the consent of the governed is all right. It is all right as a corner stone; it is all right as a foundation for governmental structures; but just as surely as you want your government to endure, we have got to build into the super-structure something more than the consent of the governed; you have got to have a definite active interest, and co-operative and sympathetic interest of your people. You cannot handle the thing as if the state was a detached distinct entity from its people. There is not any such thing any longer as the government of the state as Louis XIV knew it. The people are the state, and that is all there is to the state. Therefore, there isn't any such thing as the state imposing taxes upon the people; tax burdens are all self-assumed and self-imposed, no matter whether they are local or whether they are state.

I am glad of the opportunity to discuss this thing in this fragmentary, desultory sort of way. I am glad to bear testimony to the accuracy of what Governor Conner has said with reference to what the sales tax has accomplished in this state, when he told you it was not the sales tax only, it was all other taxes. We have pursued a policy of absolute frankness with the people. We don't wait until the end of two years, as the Constitution provides, to make a report to them about tax matters. We get out bulletins or information constantly, every thirty or sixty days. We tell the people what it is costing to carry on these operations; tell them where the money has gone, and where it came from. In other words, Governor Conner's administration has taken the people of the state into confidence, it has taken them into partnership, and we are getting satisfactory results. (Applause).

GOVERNOR FUTRELL: Mr. Chairman, I would like to ask the speaker a question.

GOVERNOR EHRLINGHAUS: Yes. Governor Futrell, of Arkansas.

GOVERNOR FUTRELL: Will any legislation by Congress help the states in their sales tax laws?

MR. STONE: Governor, I think so.

GOVERNOR FUTRELL: What I had particular reference to was goods sold in interstate commerce.

MR. STONE: Well, we had that matter up. We have a unique organization. You Governors haven't got the only set-up. We tax commissioners have got a little set-up of our own, confined strictly to tax commissioners.

There isn't a high-brow member of it. And Governor McNutt, when we started in Indianapolis, in 1934—and by the way, he has got some of the best men in America on his tax commission too. We have a National Association of Tax Administrators, the membership of which is confined to the men who administer these tax laws, and that matter has come up twice, at each one of these meetings. It concerns the states which do a large interstate commerce business, such states as California and North Carolina, and they were particularly concerned with it. This Tax Association prepared a bill which would bring within the terms of the sales tax imposed by the respective states all goods passing in interstate commerce. That bill was passed by the Senate in 1934, but it died over in the House. We didn't get a favorable report on it over there. And because of the business and congestion, and so on, which surrounds the legislation in Washington, we have not been able to do anything with it at this session of Congress. Undoubtedly, though, it would be helpful. We don't know just how much difference it would make; but it really would be a desirable thing to do, to get it.

I heard Uncle Joe Cannon one time, a great many years ago in Washington—he delivered himself of a little tax talk to a small group sitting around one night. He said, "You fellows interested in taxation don't know a thing in the world about it; I have got the only prescription for an absolutely satisfactory income tax law for the United States." This was a great many years ago. Of course, we all wanted to know what it was. He says, "Pass a Federal income tax law, one-half of the total amount of which would be paid by the State of New York, and the other half by Massachusetts and Pennsylvania." (Applause).

GOVERNOR EHRINGHAUS: I think it is peculiarly fortunate after this interesting and enlightening discussion of the sales tax that we have as the complementary subject for discussion "Real Estate Taxation," because invariably in the states in which the principle of the sales tax has been utilized, it has been utilized primarily for the purpose of securing reduction in property taxes. That result has been obtained in Mississippi, as has been pointed out here. I can say, by way of injection, it has likewise been the result in my State of North Carolina; the real estate taxes were reduced thirty-three and one-third per cent on an average throughout the entire state; that is, the taxes imposed on property by the various subdivisions of government. So, the next subject for consideration, by way of complement to what has just pre-

ceded, is "Property Taxation," by Honorable Guy B. Park, Governor of Missouri.

GOVERNOR PARK: Mr. Chairman, Fellow Governors, Ladies and Gentlemen: The subject assigned to me, dry, uninteresting, and most practical, is one that is, or should be, studiously avoided in political campaigns, but immediately after inauguration confronts every Governor who goes into office. It haunts him throughout his term of office, and at the end his tax-fagged brain is vainly groping for an equitable solution of a question that has puzzled economists and statesmen throughout the centuries. Taxes have been likened to death in its certainty, and the simile may be extended to include impenetrability.

Most tax legislation has been the result of expediency laws, enacted hastily to meet emergencies; and the course of least resistance has usually been followed in hunting out what will most readily yield the needed revenues and cause least public complaint.

So it was in the early history of our states, real property and tangible personal property bore practically the whole burden; and even now, in many states whose early constitutional provisions have not been altered to meet new and changed conditions, property is greatly over-taxed. In my own state, Missouri, it was found necessary only a few years ago to amend the Constitution so as to shift some of the load from real estate; and now her property tax for state revenue purposes is only five mills, an additional ten mills being levied for retirement of soldier bonus bonds and in payment of blind pensions.

It is my opinion that the time has come when the real estate of the great agricultural communities should be freed from taxation; or, if taxed at all, the net income would be a fair basis of assessment. The ability to pay should be the measure of liability of a farm or business property, as well as of the individual; and the non-productive roof-tree that shelters a citizen and his family contributes in social security, good citizenship and patriotism beyond the measure of money, and it should not be made to do more than that. (Applause).

A tax-free homestead is as desirable and proper as a debt-free homestead. Those of us here, representing states whose laws exempt the homestead from sale under execution on judgments for debt, may well wonder why the state is less generous with her own debtors.

No doubt you have already concluded that I am one of those who believe that no constitution is more sacred

than the welfare of the people it was enacted to preserve; and that is my belief. Twenty times have the sovereign people of more than three-fourths of the states of this Union so spoken; and again and again will they express themselves when, in the course of governmental progress and development, they may deem it meet and proper for the betterment of the nation.

The constitution of my own state was last written in 1875, and it was the product of the best brains of that period. While many of its fundamentals are sound and lasting, it has been often materially changed, and, strange as it may appear, not one person with the temerity to suggest those alterations has been charged with treason or lese-majesty. After all, my fellow Governors, while under the scheme of our governments, state and national, it is the province of the legislative department to make the laws, of the executives to enforce them, and of the courts to interpret, yet, the will of the people is the supreme law of the land. To invite an expression of that will on questions of moment is, by authority of the constitution itself, and is not to be made the subject of political expediency. The Constitution of the United States has long been conceded to be the greatest document of its kind ever written, and the wisdom and strength of the patriots who framed it universally acknowledged; but until quite recently it has never been claimed to possess the sacredness of Holy Writ; nor its authors the divine gift of prophecy. (Applause).

If you will pardon my digression, the subject of property taxation will be resumed; not, however, before I express my opinion that the people of the United States will never refuse to return a man to office because he has suggested a change in the Constitution of the United States. (Applause).

In the earlier periods of our history, the tax problem was quite simple and the tax light. Governmental activities were few, and the needs of the people small. The passage of time brought industrial and financial development; and, almost within our memories, the wealth of our country was no longer in general property, but took other form, until now more than half of the assets of the nation are in intangible personal property; and, my observation is, that far more than two-thirds of all intangible personal property escapes taxation.

If some wizard of finance, instead of turning his genius on how to avoid paying taxes on intangibles, could devise a sure method of reaching them, he would earn the everlasting gratitude of all governors; and materially

aid in the practical application of the doctrine of uniformity of taxation. If all the taxable wealth in hiding could be reached, how simple would be our tasks; how light the obligation of each individual. It is estimated that owners of intangible personal property evade tax payments on fifty per cent of their property, and owners of intangible personal property eighty per cent. There was a time when some forms of political government were wholly supported by the voluntary contributions of their subjects; but that was a long, long time ago.

If the above estimates are even nearly correct, they reflect seriously upon the civic integrity and the patriotism of many who have apparently prospered most under the protection of the institution they would purposely cheat and defraud; and who, by their perfidy, have left a heavier load upon the shoulders of those less able to carry.

When citizens of wealth and high position resort to tricks and schemes to avoid their obligations to the government that protects them, is it any wonder that tax-dodging has become a conventional crime?

At the session of the Missouri legislature, only recently adjourned, a bill was introduced which provided that upon the death of its owner all property subject to taxation and not listed with the assessor would escheat to the state. It did not pass; but, in theory at least, it was not without merit.

Crude assessment laws, administered in many instances by incompetent or politically ambitious assessors, too frequently cause rank inequalities in property valuations. To remedy this, state tax commissions and state boards of equalization have been created, and conditions thereby somewhat improved; but until property assessment is divorced from politics and placed in charge of competent persons, trained in the business, valuations for purposes of taxation never will be equalized.

The Supreme Court of the United States has said:

"The power to tax is the one great power upon which the whole national fabric is based. * * * It is not only the power to destroy but it is also the power to keep it alive."

Under ordinary conditions, the right to lay taxes should be exercised with great caution; never capriciously, and only when absolutely necessary. Those who pay have the right to expect from the Government value received in benefits proportionate to the amount ex-

pending. As more succinctly expressed by Judge Cooley: "The person upon whom the demand is made, or whose property is taken, owes to the state a duty to do what shall be his just proportion towards the support of the government, and the state is supposed to make adequate and full compensation in the protection which it gives to his life, liberty and property, and in the increase to the value of his possessions by the use to which the money contributed is applied." But in case of war or great economic distress and business stagnation, endangering the continued existence of governmental structure and threatening chaos and ruin, the power to tax property may be used, even to the extent of confiscation, just as man power may be drafted to avert national calamity and repel a common enemy. The laws of self-preservation apply to states as well as to individuals; and to nicely gauge in dollars and cents the amount necessary to be expended in protection would oft-times result in annihilation. Two years ago, when our country was at the brink of destruction and collapse, business stagnant, factories and workshops and mines closed, farms and homes being foreclosed daily at every courthouse door, hundreds of thousands of self-respecting, honest men, willing to work, walking the streets and highways vainly seeking employment, when hungry children were crying for food, it was not the time to tighten the purse strings of our treasury, or measure in silver and gold the value of succor, and relief, and rehabilitation. Every dollar raised and wisely expended in this cause was a sound investment in the welfare of our citizenry and the perpetuity of our republic; and every sacrifice by the taxpayer will return to him many fold. Indeed, already much has been done to re-establish financial stability and business confidence.

The farm recovery program has been successful in obtaining better prices for all farm products; and cattle, and hogs, and horses are being again sold at a profit. During the year last past wholesale and retail businesses have increased, mines and factories are again in operation, conditions generally are conceded to be better, and the spirit of our people is more hopeful.

It is my opinion that we are "out of the woods," and that with a shift from direct relief—necessary, but never desirable, and doubtfully helpful—to work relief, which should be speedily effected, normal conditions will have been restored and national stability re-established. It will not make much difference in the results whether the new program of work relief is administered by the federal authorities or by the state authorities, and I appre-

hend that no governor is going to deny the privilege to the Federal government to expend funds in his state, whether administered from Washington or from the state Capitol. (Applause). To assume that the monies paid by the state in Federal taxes belong to the state and is subject to state control has no foundation in fact or in law.

The best evidence that our country is getting well is the growing voice of criticism and complaint. When a person is critically ill, and thinks he is about to embark on the voyage to the great beyond, he is usually silent, extremely docile, and will follow in abject obedience the commands of his nurse and physician. But when the crisis is over and recovery apparent he becomes irritant and quarrelsome, and hard to handle. So it is with the collection of individuals, called states and nations. And I take it that the recent mutterings at the "Grass Roots" meeting in the state of our Excellent Governor Horner are evidences conclusive of better times ahead. (Applause).

It is not, and should never be, the purpose of taxation to re-distribute wealth, though it might not be amiss to exact from those who have profited beyond their desserts, by reason of governmental favoritism and protection, a portion of their ill-gotten gains for the benefit of the less favored masses. But for the nation to guarantee to each individual, slothful or industrious, intelligent or dull, thrifty or extravagant, a fixed annuity to be paid out of the revenues, would not only violate every principle of good government, but is contrary to the scriptural mandate: "By the sweat of thy face, shalt thou earn thy bread." Such teachings smack of socialism, and will interest only those who are of little use to, or have little care for, their Country; and will never seriously appeal to the true American spirit.

It would not be proper, and hardly courteous, for me to conclude without referring to the recent success of our splendid Host in relieving a bad financial situation in this State by forcing the enactment of a sales tax. This was accomplished only after a hard, long drawn-out struggle. But the results have fully justified the efforts.

As an emergency measure, such a tax is certainly justifiable, and I am not sure but that it will become a permanent means of raising revenue in all of the states. It is almost painless, and is founded upon the principle of payment in proportion to ability to buy, and reaches a large class of citizens who have never paid for the protection they receive. However, as the well-to-do do not,

as a rule, spend in proportion to their means, as do the poor, there should always be a graduated income tax wherever there is a sales tax. Otherwise, the ones most able to pay escape in part. From experiences through which I have passed during a recent legislative session of 148 days, my warning to the Governors of those states without a sales tax, and who contemplate urging the adoption of such a measure, is to be armed and equipped for the fight of your lives.

No one else, my understanding is, Mr. Secretary, will follow me on this program, and I want to take occasion now to express to Governor Conner, and his charming wife and beautiful daughter, the appreciation of every Governor present of the splendid southern hospitality extended to us.

I want to say, Governor Conner, again referring to taxation, that you are right when you say that a sales tax alone is not a good tax; in order to make it equitable it should always be accompanied by an income tax.

I thank you for the pleasure of addressing you. (Applause).

GOVERNOR EHRLINGHAUS: That concludes—I suppose, though, it would be in order for us to have any open forum discussion or any questions that might be propounded to Governor Park who has just so ably addressed us.

GOVERNOR JOHNSTON: Mr. Chairman.

GOVERNOR EHRLINGHAUS: Governor Johnston.

GOVERNOR JOHNSTON: Mr. Chairman and fellow governors, I have a few resolutions here. This is the first one:

“Whereas, Governor Sennett Conner and the people of the State of Mississippi and the City of Biloxi have united in a spirit of marked hospitality to entertain the 1935 Governors' Conference, making this an event of unprecedented popularity; and

“Whereas, the members of Governor Conner's staff, their wives, Conference Committees and the people of the coast cities of the State of Mississippi have contributed so generously of their time, money and energy to make this convention a memorable occasion; and

“Whereas, it is the sentiment of the Governors and their official parties that an expression of gratitude and appreciation is most appropriate and opportune, now, therefore,

"BE IT RESOLVED: That the members of the twenty-seventh Annual Governors' Conference do hereby offer this expression of their lasting appreciation for the many courtesies and kindnesses shown them; for the fine entertainment and atmosphere of genuine hospitality maintained throughout this session; for the trips of scenic beauty provided for the guests and for all of the many and varied tangible expressions of welcome so pronounced on all sides that these visitors shall ever associate this conference with their most pleasant memories."

I move the adoption of this resolution.

GOVERNOR McNUTT: I second it.

GOVERNOR EHRLINGHAUS: The motion of the Governor of South Carolina, seconded by various ones, is that we adopt this resolution in acknowledgment of the gracious hospitality that has been extended to us, and at the suggestion of the chair I think it should be done by a rising vote. All who favor it will please rise. Take your seats. The resolution is unanimously adopted.

GOVERNOR JOHNSTON: I have another resolution:

"Whereas, the Press Associations have devoted extensive coverage to the events that have transpired at the 1935 Governors' Conference, making it possible thereby for the people of the nation to have an insight into the views expressed by their chief executives, together with reports of the speeches of other distinguished visitors; and

"Whereas, the newspapers in New Orleans, Biloxi, Gulfport, Memphis and other cities in this area have given extensive coverage of this conference, thereby joining with the news reels producers and other agencies of publicity; now, therefore,

"BE IT RESOLVED: That a special vote of thanks is hereby tendered by this conference to all of the aforementioned agencies for their courtesies and consideration."

I move the adoption of that resolution.

GOVERNOR McNUTT: I second that.

GOVERNOR EHRLINGHAUS: Those who favor the adoption of the resolution will signify by saying AYE; those opposed NO. The resolution is adopted.

GOVERNOR JOHNSTON: I have another short one along different lines.

"Whereas, business has been greatly benefited and working conditions vastly improved in the last two years under the wise leadership of President Franklin Delano Roosevelt; and

"Whereas, it is essential to our national economic security that a nation-wide program providing minimum wages of pay, and maximum hours of employment be maintained in the interest of the preservation of amicable relationships between capital and labor and the enhancement of the purchasing power of the people of this country to the end that unemployment be reduced, therefore,

"BE IT RESOLVED: That it is the sentiment of this Governors' Conference that these ideals should be encouraged and furthered throughout this nation."

I move the adoption of this resolution.

GOVERNOR McNUTT: I second that.

GOVERNOR EHRINGHAUS: Those who favor the adoption of this resolution will signify—

GOVERNOR TALMADGE: Doesn't that provide for the adoption of minimum wages?

GOVERNOR EHRINGHAUS: Governor Johnston will read the language of the resolution.

GOVERNOR JOHNSTON: "Whereas, business has been greatly benefited and working conditions vastly improved in the last two years under the wise leadership of President Franklin Delano Roosevelt, and

"Whereas, it is essential to our national economic security that a nation-wide program providing for minimum wages of pay, and maximum hours of employment be maintained in the interest of the preservation of amicable relationships between capital and labor, and the enhancement of the purchasing power of the people in this country to the end that unemployment be reduced, therefore,

"BE IT RESOLVED: That it is the sentiment of this Governors' Conference that these ideals should be encouraged and furthered throughout this nation."

GOVERNOR EHRINGHAUS: Is there any discussion?

GOVERNOR GRAVES: I move the adoption of the resolution.

GOVERNOR McNUTT: I second it.

GOVERNOR TALMADGE: Isn't that minimum wage scale and maximum hours—isn't that what the Supreme Court just ruled on that we could not do? Wasn't that the essence of the N.R.A. Decision?

GOVERNOR EHRLINGHAUS. Is the Governor making an argument or directing an inquiry to the chair?

GOVERNOR TALMADGE: I am asking for information.

GOVERNOR EHRLINGHAUS: If it is an inquiry, I will endeavor to answer it.

GOVERNOR TALMADGE: Anybody that can answer it. That is what I got out of the decision, that they could not make codes providing for wages.

GOVERNOR EHRLINGHAUS: Could not provide for criminal enforcement, that the legislature or congress had not the power to delegate its function of legislating. I understand the resolution, however, simply is presented for approval of this conference of the abstract proposition, that we desire to go on record as favoring the same policy providing for minimum hours and maximum wages, or a minimum scale.

GOVERNOR TALMADGE: You mean legislation to that effect?

GOVERNOR EHRLINGHAUS: I do not understand the resolution to point to any specific method of accomplishing it, but merely to suggest that we go on record as favoring the principle.

(The question was called for).

Those who favor the adoption of the resolution will signify by saying AYE; those opposed, NO. The resolution is unanimously adopted.

GOVERNOR SHOLTZ: I move you, sir, that we now go into executive session.

GOVERNOR EHRLINGHAUS: The motion is that we go into executive session in accordance with the custom, at this time. All except members of the conference will retire, with our thanks for their gracious attendance.

MEETING OF EXECUTIVE COMMITTEE

Immediately following the adjournment of Convention of the Governors' Conference, the newly elected Executive Committee met in Executive Session on the afternoon of the 14th of June, 1935.

Present. Governor Paul V. McNutt, Chairman,
Indiana

Governor Henry Horner, Illinois

Governor Harry W. Nice, Maryland

Governor Dave Sholtz, Florida

On meeting, Governor Paul V. McNutt, of Indiana, was re-elected Chairman of the Executive Committee. Former Governor Stanley C. Wilson, of Vermont, present Treasurer, was re-elected. Former Governor Cary A. Hardee was re-elected Secretary, with salary and compensation to remain the same as the preceding year.

On motion the sum of \$100.00 was fixed as the yearly dues for each State in the Union.

The question of selecting a meeting place for next year for the Convention of the Governors' Conference was deferred. Time and place of next meeting to be selected by the Executive Committee at some future date.

TREASURER'S REPORT

STANLEY C. WILSON, Treasurer

In Account with Governors' Conference

1934		Dr.
July	20. Amount on checking account at Hartford Savings Bank & Trust Company at time Treasurer's account submitted to Governors' Conference and approved -----	\$5,900.33
Aug.	29. Cary A. Hardee, Secretary—	
	Michigan dues -----	\$100.00
	Minnesota dues -----	100.00
	Montana dues -----	100.00
	Nebraska dues -----	100.00
	New York dues -----	100.00
	Oklahoma dues -----	100.00
	So. Carolina dues -----	100.00
	Utah dues -----	100.00
	Virginia dues -----	100.00
	Washington dues -----	100.00
		1,000.00
Oct.	19. Cary A. Hardee, Secretary—	
	Arizona dues -----	\$100.00
	New Jersey dues -----	100.00
		200.00
1935		
May	8. Cary A. Hardee, Secretary—	
	Arizona dues -- -----	\$100.00
	Connecticut dues -----	100.00
	Delaware dues -----	100.00
	Georgia dues -----	100.00
	Iowa dues -----	100.00
	Maryland dues -----	100.00
	Michigan dues -----	100.00
	Missouri dues -----	100.00
	Montana dues -----	100.00
	New York dues -----	100.00
	North Carolina dues -----	100.00
	North Dakota dues -----	100.00
	Oklahoma dues -----	100.00
	Pennsylvania dues -----	100.00
	Vermont dues -----	100.00
	Virginia dues -----	100.00
	Wyoming dues -----	100.00
		1,700.00
June	3 State of Indiana dues -----	100.00
	7. Cary A. Hardee, Secretary—	
	Arkansas dues -----	\$100.00
	Mississippi dues -----	100.00
	Illinois dues -----	100.00
	Alabama dues -----	100.00
	Oregon dues -----	100.00
	New Jersey dues -----	100.00
	Louisiana dues -----	100.00
	Kansas dues -----	100.00
	New Hampshire dues -----	100.00
		900.00
TOTAL RECEIPTS -----		\$9,800.33

STANLEY C. WILSON, Treasurer
In Account with Governors' Conference

				Cr.
1934				
July	24.	Hartford Savings Bank & Tr. Co. Exchange on:		
		Indiana check -----	\$0.15	
		Iowa check -----	0.15	
		North Carolina check -----	0.25	
		Florida check -----	0.25	
			(V.1)	\$ 0.80
Aug.	2.	Cary A. Hardee, Sec'y, quarterly expense and salary -----	(V.2)	641.75
		Stanley C. Wilson, exp. as Treasurer	(V.3)	30.46
	21.	Eynon Printing Co. Inc.—250 pro- grams and cover—Governors' Con- ference -----	(V.4)	25.00
Sept.	1.	Hartford Savings Bank & Trust Co.— Exchange on:		
		Oklahoma check -----	0.25	
		Utah check -----	0.25	
		Montana check -----	0.25	
		Michigan check -----	0.15	
			(V.5)	.90
		Hartford Savings Bank & Trust Co.— Exchange on:		
		Minnesota check -----	0.25	
		Nebraska check -----	0.25	
		So. Carolina check -----	0.25	
		Washington check -----	0.25	
			(V.6)	1.00
	7.	Brewood, Printers—letterheads, en- velopes, etc. -----	(V.7)	59.11
	28.	Silberblatt Organization, reporting conference -----	(V.8)	188.45
		Cary A. Hardee, Sec'y, quarterly expense and salary -----	(V.9)	760.16
Oct.	1.	Hartford Savings Bank & Trust Co.— revenue tax on checks -----	(V.10)	0.06
Oct.	3.	F. Ray Keyser, Agt.—renewal prem- ium on bond No. 586236D -----	(V.11)	12.50
Nov.	1.	Hartford Savings Bank & Trust Co.— revenue tax on check -----	(V.12)	0.02
	23.	Suwannee Democrat—Publishing 1934 Conference proceedings -----	(V.13)	528.00
1935				
Jan.	2.	Hartford Savings Bank & Trust Co.— Revenue tax on:		
		Checks for October -----	0.06	(V.14)
		Checks for November -----	0.06	(V.15)
		Checks for December -----	0.02	(V.16)
				0.14
		Cary A. Hardee, Sec'y, quarterly expense and salary -----	(V.17)	558.80

Mar. 18.	Cary A. Hardee, Sec'y, quarterly expense and salary -----	(V.18)	554.60
May 15.	Hartford Savings Bank & Trust Co.—		
	Exchange on:		
	No. Carolina check -----	\$0.25	
	No. Dakota check -----	0.25	
	Oklahoma check -----	0.25	
	Wyoming check -----	0.25	
	Iowa check -----	0.15	(V.19) 1.15
	TOTAL EXPENDITURES -----		\$3,362.90

SUMMARY

Total Receipts -----	\$9,800.33
Total Expenditures -----	3,362.90
Balance on Hand -----	\$6,437.43
Amount in Hartford Savings Bank & Trust Company checking account, White River Junction, Vermont. (See attached certified statement) -----	6,437.43

I, Stanley C. Wilson, Treasurer of Governors' Conference, do hereby certify that the foregoing is a true statement of my account as Treasurer of the Governors' Conference.

(Signed) STANLEY C. WILSON,
Treasurer.

Biloxi, Mississippi
June 13, 1935.

The foregoing account of the Treasurer has been examined, checked with vouchers and found to be correct, with a balance in the Treasurer's hands of \$6,437.43.

(Signed) F. H. COONEY, Chairman
O. K. ALLEN
R. L. COCHRAN
J. M. FUTRELL
Auditing Committee.

Fred L. Davis, President James F. Dewey, Vice President I. J. Davis, Treas

HARTFORD SAVINGS BANK & TRUST COMPANY
White River Junction, Vermont
June 10, 1935

Hon. Stanley C. Wilson
Chelsea
Vermont

Dear Governor:

This is to certify that the balance standing to the credit of the Governors' Conference on the books of the Hartford Savings Bank and Trust Company as of June 10, 1935, is \$6,437.43. This includes a deposit of \$900.00 made today.

Very truly yours,
(Signed) I. J. DAVIS,
Treasurer.

AFTER THE CONVENTION

The sessions of the Conference were held at the Buena Vista Hotel, a most delightful hostelry, at Biloxi, State Banquet was given at the Hotel on the evening of Friday, June 14th, presided over by Chairman of the Arrangements Committee, Mr. George B. Power, of Jackson, Mississippi.

A word of greeting, through a message from Honorable Franklin D. Roosevelt, President of the United States, was given the guests through Honorable Paul V. McNutt, Governor of Indiana, and Chairman of the Executive Committee of the Conference. The message was as follows:

"THE WHITE HOUSE,
Washington, D. C., June 14, 1935.

Hon. Paul V. McNutt,
Chairman Executive Committee
Governors' Conference,
Biloxi, Miss.

Please present my good wishes to the Governors' Conference. As you know I was a member of the Executive Committee and attended the Conference each of the four years I was Governor of New York. I am confident that the interchange of views in regard to the problems of the several states will as usual be of definite assistance to those who attend the Conference. I wish I could be with you to renew old acquaintances and take part in your meetings and your festivities.

Franklin D. Roosevelt."

On Saturday, the 15th, following the business session, the Governors and their parties were guests of Governor and Mrs. Conner for an automobile ride through Ocean Springs, Biloxi, Gulfport, Pass Christian and Bay St. Louis, with brief stop at "Beauvoir," the home of Jefferson Davis.

Luncheon on Markham Hotel Roof in Gulfport, followed by a Boat Ride to Ship Island from Gulfport Harbor, returning to Gulfport and thence by automobiles to Headquarters Hotel.

This Convention of the Conference was regarded as a successful one and the Governors and their parties returned to their respective States with pleasant memories of the hospitality of Governor Conner and the people of Mississippi.

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